

Auditing Procedures Report

Issued under P.A. 2 of 1966, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Delta County	County Delta
Fiscal Year End 9/30/07	Opinion Date 5/22/08	Date Audit Report Submitted to State 5/23/08	

We affirm that:

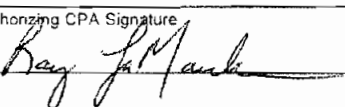
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | YES | NO | Check each applicable box below. (See instructions for further detail.) |
|-------------------------------------|-------------------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | 2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | 4. The local unit has adopted a budget for all required funds. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 5. A public hearing on the budget was held in accordance with State statute. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 8. The local unit only holds deposits/investments that comply with statutory requirements. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | 9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin). |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | 11. The local unit is free of repeated comments from previous years. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 12. The audit opinion is UNQUALIFIED. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP). |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 14. The board or council approves all invoices prior to payment as required by charter or statute. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | 15. To our knowledge, bank reconciliations that were reviewed were performed timely. |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe) SAS 112 Communication	<input checked="" type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-786-3111	
Street Address 901 Ludington Street		City Escanaba	State Mi
		Zip 49829	
Authorizing CPA Signature 		Printed Name Raymond B. LaMarche, CPA	License Number 1101025531

COUNTY OF DELTA, MICHIGAN
BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2007

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ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Commissioners
County of Delta
Escanaba, Michigan 49829

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the County of Delta, Michigan as of and for the year ended September 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Delta's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Delta County Road Commission, which represents 94 percent, 97 percent, and 60 percent, respectively, of the assets, net assets, and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Delta County Road Commission, is based on the report of the other auditors.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the County of Delta, Michigan as of September 30, 2007, and the respective changes in financial position, and, where applicable, and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2008, on our consideration of the County of Delta, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information on pages 3 – 13 and 59 - 60, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Delta's basic financial statements. The combining nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the County of Delta, Michigan. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Anderson, Tackman & Company, PLC
Certified Public Accountants

May 22, 2008

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of Delta County's financial performance provides an overview of the County's financial activities for the fiscal year ending September 30, 2007. Please read it in conjunction with the County's financial statements, which begin on page 14.

FINANCIAL HIGHLIGHTS

- Net assets for the County were reported at \$31,170,221 for 2007 and were \$30,536,871 for 2006, an increase of \$633,350. For 2007, net assets for our business-type activities were \$13,570,211 or 44% of total net assets, while net assets in our governmental activities were \$17,600,010 or 56% of total net assets.
- The County's expenses for 2007 totaled \$13,693,081, while revenues from all sources totaled \$14,326,431, leaving an increase of \$633,350. In 2006, total expenses totaled \$12,109,814 while revenues totaled \$15,409,408, leaving an increase of \$3,299,594.
- In the County's business-type activities, total revenues were \$1,515,200, or 11% of total revenue, while expenses totaled \$1,295,781, or 9.5% of total expenses. This provides excess revenues over expenses of \$219,419 and is primarily due to a net operating loss by the airport operations offset by operating income generated by the delinquent tax revolving funds.
- The General Fund reported a decrease in fund balance of \$1,074,980 in 2007 and an increase of \$275,331 in 2006, representing a change in fund balance of -33% and +9%, respectively. This was after revenues of \$8,703,586 compared to \$8,492,996 in 2006, and expenditures of \$8,429,165 compared to expenses of \$7,177,432 in 2006. The decrease in fund balance in 2007 is primarily due to the County putting additional funds into the MERS retirement system to reduce their unfunded liability for pension benefits.

USING THIS REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities (on pages 14, 15 and 16) provide information about the activities of the County as a whole and present a longer term view of the County's finances. Fund financial statements start on page 17. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide financial statements by providing information about the County's most significant funds. The remaining statement provides financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of government.

Reporting the County as a whole

Statement of Net Assets and the Statement of Activities

Our analysis of the County as a whole begins on page 6. One of the most important questions asked about the county's finances; "Is the County as a whole better off or in worse condition as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current years revenue and expenses are taken into account regardless of when cash is received or paid. These two statements report the County's *net assets* and changes in them. You can think of the County's net assets as the difference between assets and liabilities as one way to measure the County's financial health, or *financial position*. Over time, *increases or decreases* in the County's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's property tax base to assess the *overall financial health* of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into two categories of activities:

- Governmental activities – Most of the County's basic services are reported here including public safety, judicial system, parks and recreation and general administration. Property taxes and state and federal grant funds make up the majority of revenue for these activities.
- Business-type activities – The County charges a fee to customers to help cover all or most of the costs of certain services it provides. The County Airport and the collection of delinquent property taxes primarily make up these activities.

The County also presents three legally separate component units; District Health Department, County Road Commission and Department of Human Services which are reported separately from the financial information of the County. A separate financial statement is available for the County Road Commission and is available at their administrative offices.

Reporting the County's Most Significant Funds

Fund Financial Statements

Our analysis of the County's Major Funds begins on page 9. The fund financial statements begin on page 17 and provide detailed information on the most significant funds – not the County as a whole. Some funds are required to be established by State law, and by bond covenants. However, the County Board of Commissioners establishes many other funds to help it control and manage money for particular purposes or to show that the Board is meeting legal requirements for certain taxes, grants and other money. The County's two kinds of funds *governmental* and *proprietary* – use different accounting methods.

- *Governmental funds* – Most of the County’s services are reported in governmental funds which focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term* view of the County’s general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance County programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.
- *Proprietary funds* - When the County charges customers for the services it provides – whether to outside customers or to other units of the County – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the County’s enterprise funds (a component of proprietary funds) are the same as the business-type activities that we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for other County programs and activities.

The County as a Trustee

The County is the trustee, *or fiduciary*, of tax receipts and other collections, that are collected for other agencies and held for periodic payment to those agencies. The County’s fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 24. We exclude these funds from the County’s other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

The County as a Whole

The County's net combined assets grew by \$633,350 in 2007 and \$3,299,594 in 2006.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities	
	2007	2006	2007	2006
Current and other assets	\$ 15,052,562	\$ 14,312,930	\$ 3,230,536	\$ 2,708,061
Capital assets (net)	7,872,108	8,126,249	10,545,497	10,866,414
Total Assets	<u>22,924,670</u>	<u>22,439,179</u>	<u>13,776,033</u>	<u>13,574,475</u>
Long-term debt outstanding	3,868,020	4,204,632	120,233	150,339
Other liabilities	1,456,640	1,048,468	85,589	73,344
Total Liabilities	<u>5,324,660</u>	<u>5,253,100</u>	<u>205,822</u>	<u>223,683</u>
Net Assets:				
Invested in capital assets, net of related debt	4,027,108	3,951,249	10,425,264	10,716,075
Restricted assets:				
Expendable	2,978,934	2,262,895	45,913	19,706
Unrestricted	10,593,968	10,971,935	3,099,034	2,615,011
Total net assets	<u>\$ 17,600,010</u>	<u>\$ 17,186,079</u>	<u>\$ 13,570,211</u>	<u>\$ 13,350,792</u>

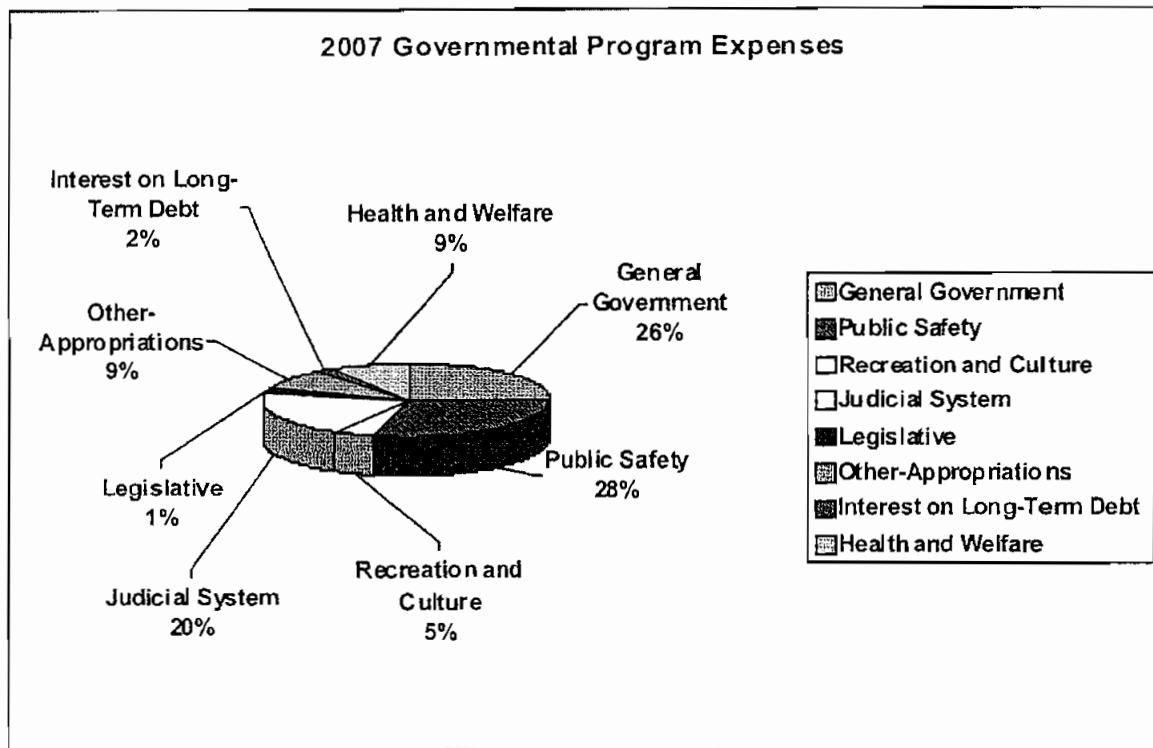
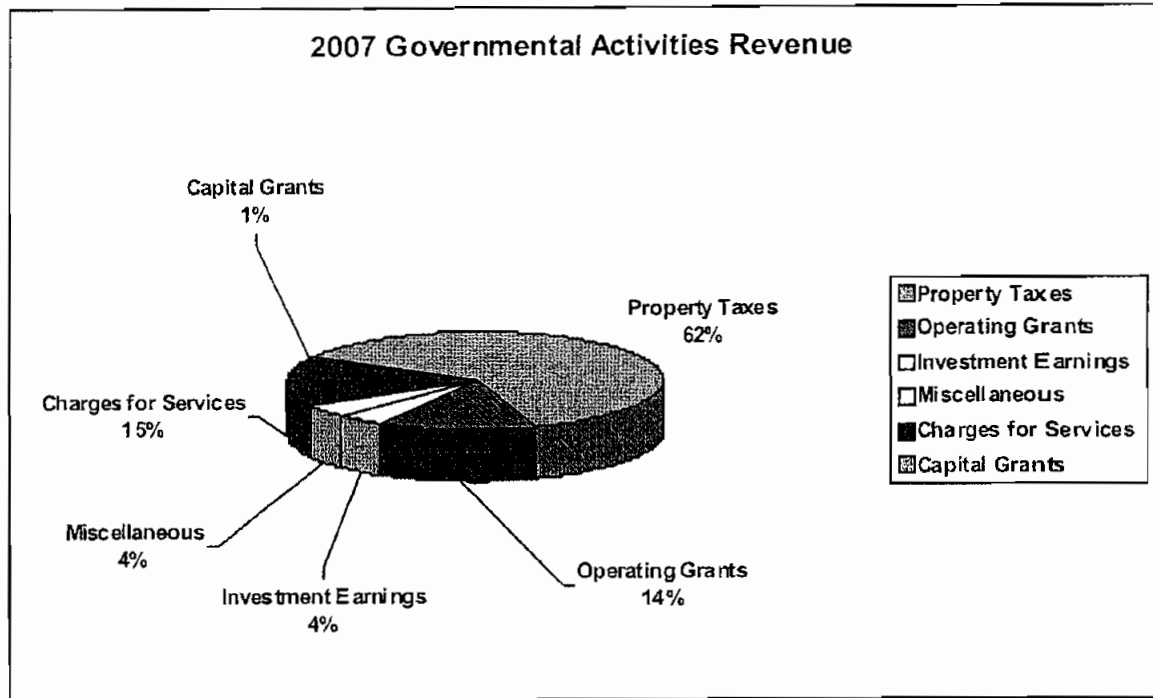
Net assets of the County's governmental activities stood at \$17,600,010, up from \$17,186,079 in 2006 (+2.4%). Unrestricted net assets, the part of net assets that could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$10,593,968 and \$10,971,935 for 2007 and 2006 respectively.

Net assets in our business-type activities stood at \$13,570,211, up from \$13,350,792 in 2006 (+1%). Unrestricted net assets for our business-type activities were \$3,099,034 and \$2,615,011 for 2007 and 2006 respectively. A large portion of net assets in our business-type activities is the result of the federal government funding a large portion of capital improvements at the county airport.

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities	
	2007	2006	2007	2006
Revenues:				
Program Revenues:				
Charges for services	\$ 2,132,976	\$ 2,030,423	\$ 903,242	\$ 883,621
Operating grants	1,872,195	1,900,638	-	37,809
Capital grants	121,726	365,829	147,001	1,757,879
General Revenues:				
Property taxes	8,485,751	8,141,317	-	-
Grants and contributions not restricted to specific programs	-	-	-	-
Unrestricted investment earnings	575,013	325,699	23	30
Miscellaneous	583,862	415,358	-	25,600
Total Revenues	<u>13,771,523</u>	<u>13,179,264</u>	<u>1,050,266</u>	<u>2,704,939</u>
Program Expenses:				
Legislative	168,837	154,664	-	-
Judicial system	2,498,014	2,299,541	-	-
General government	3,168,406	2,449,104	-	-
Public safety	3,503,219	3,193,241	-	-
Health and welfare	1,115,300	1,279,389	-	-
Recreation and culture	567,414	508,414	-	-
Other-appropriations	1,167,230	636,427	-	-
Other	400	2,474	-	-
Interest on long-term debt	208,480	224,092	-	-
Delinquent tax revolving	-	-	54,432	43,143
Airport	-	-	1,232,112	1,311,830
Jail commissary	-	-	9,237	7,495
Total Expenses	<u>12,397,300</u>	<u>10,747,346</u>	<u>1,295,781</u>	<u>1,362,468</u>
Excess (deficiency) before transfers and contributions	1,374,223	2,431,918	(245,515)	1,342,471
Transfers	<u>(960,292)</u>	<u>(273,023)</u>	<u>464,934</u>	<u>(201,772)</u>
Increase (decrease) in net assets	413,931	2,158,895	219,419	1,140,699
Net assets - beginning	<u>17,186,079</u>	<u>15,027,184</u>	<u>13,350,792</u>	<u>12,210,093</u>
Net assets - ending	<u>\$ 17,600,010</u>	<u>\$ 17,186,079</u>	<u>\$ 13,570,211</u>	<u>\$ 13,350,792</u>

Governmental Activities



Governmental Activities

Revenues for the County's governmental activities totaled \$12,811,231, down 1% from \$12,906,241 in 2006. Expenses were up 15.3% (\$1,649,854) which was partially due to the County paying additional amounts into the retirement system to reduce the unfunded liability.

Table three below reflects the cost of each of the County's five largest activities; Public Safety, Judicial System, General Government, Health and Welfare, and Other – Appropriations, - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the taxpayers.

Table 3
Government Activities

	Total Cost of Services		Net Cost of Services	
	2007	2006	2007	2006
Public safety	\$ 3,503,219	\$ 3,193,241	\$ 2,717,556	\$ 2,488,707
Judicial system	2,498,014	2,299,541	608,702	583,807
General government	3,168,406	2,449,104	2,380,856	1,465,098
Health and welfare	1,115,300	1,279,389	825,505	887,102
Other - appropriations	1,167,230	636,427	1,167,230	446,652
Totals	<u>\$ 11,452,169</u>	<u>\$ 9,857,702</u>	<u>\$ 7,699,849</u>	<u>\$ 5,871,366</u>

Business-Type Activities

The County's business-type activities net assets totaled \$13,570,211, with an increase in the current year of \$148,213. The increase is caused by an operating loss from the airport operations, offset by operating income generated by the delinquent tax revolving funds.

THE COUNTY'S FUNDS

The focus of the governmental funds of the County is to provide information on near-term inflows, outflows and balances in spendable resources. The fund information is useful to determine short-term financing requirements and can be used to measure the County's net resources available for spending at the end of the fiscal year.

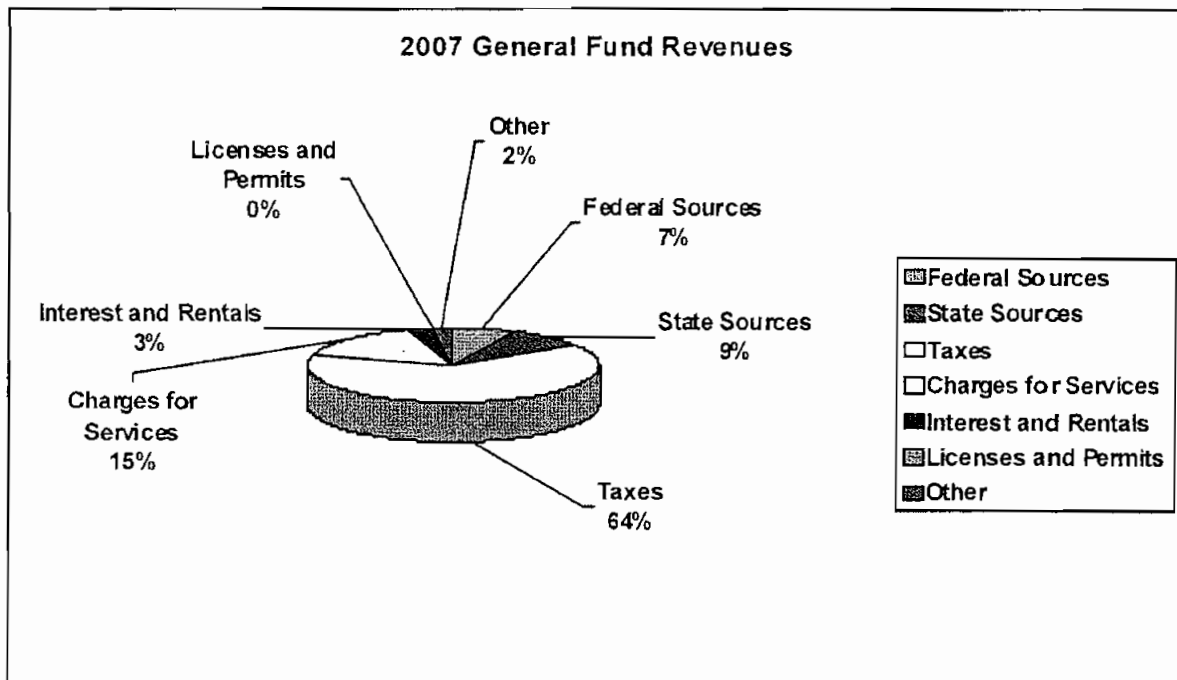
For the current fiscal year the County's governmental funds reported total fund balance of \$7,484,760, which was all unreserved with the exception of \$49,583 which was reserved for prepaid expenses. The General Fund unreserved fund balance amounted to \$2,151,074, with \$91,446 designated for future retirement benefits. The General Fund had a decrease in fund balance of \$1,074,980, representing a decrease of 33% over the prior year fund balance.

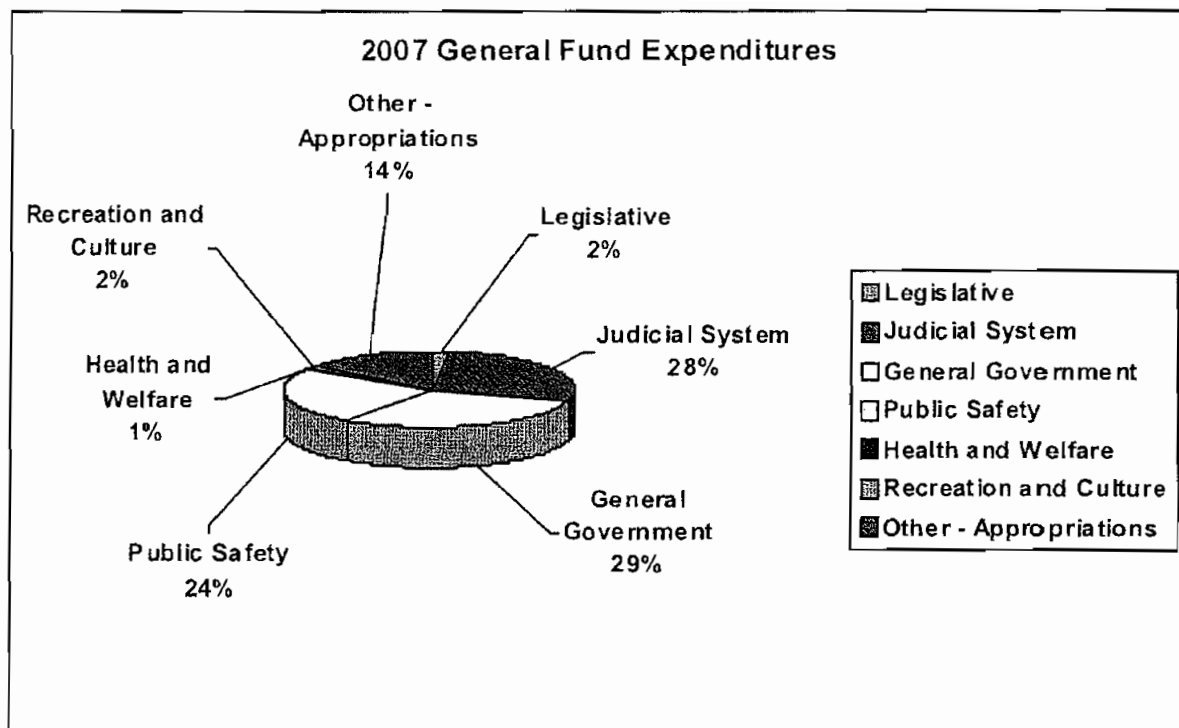
In fiscal year 2005, in accordance with Public Act 357 of 2004, the County established the Revenue Sharing Reserve Fund which is to be used to replace the State revenue sharing payments for the next several years. The Act calls for the County to put one-third of the December 2004 levy into this new fund, and put the same amount in the Revenue Sharing Reserve Fund from the December 2005 and 2006 levy's. In 2007, the County placed \$1,522,753 in property taxes from the December 2006 levy into the Revenue Sharing Reserve Fund and also transferred \$747,765 to the General Fund for operating purposes. In order to make up the shortfall in the General Fund for property tax revenue, the Act allowed the County to levy a full property tax levy in July and that amount has been recognized as revenue in the General Fund for 2007.

General Fund Budgetary Highlights

Over the course of the year, the budget was amended several times. These amendments were made to recognize changes to revenue or expenditures. The budgeted expenditures of the final amended budget increased by \$845,855 over the original budget, representing an increase of 12%. The original budget was projected to use \$60,679 of fund balance, while the actual results showed a decrease to fund balance of \$1,074,980. This was due to additional payments made into the retirement system in order for the County to decrease its unfunded liability of its pension obligation. The benefits of decreasing this unfunded liability provides the County with greater flexibility in times of uncertain economic conditions.

General Fund





CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2007, the County had \$18,417,605, net of accumulated depreciation, invested in a variety of capital assets including machinery and equipment, buildings and improvements, parks, airport infrastructure and land. (See table 4 below)

Table 4
Capital Assets at Year-End
(net of accumulated depreciation)

	Governmental Activities		Business-Type Activities	
	2007	2006	2007	2006
Land	\$ 13,350	\$ 13,350	\$ 1,031,579	\$ 1,031,579
Land Improvements	125,678	138,619	250,216	267,097
Buildings and improvements	7,445,851	7,697,848	3,410,124	3,502,505
Machinery & Equipment	287,229	276,432	523,889	586,717
Infrastructure	-	-	5,329,689	5,478,516
Total	\$ 7,872,108	\$ 8,126,249	\$ 10,545,497	\$ 10,866,414

There were no significant increase in additions to capital assets in 2007 versus the airport rehabilitation of the taxiway and apron which was completed as of September 30, 2006. This project completed in 2006 was funded primarily with federal funding as well as State of Michigan and local funds.

DEBT

At year-end the County had \$3,988,253 in bonds and notes outstanding.

Table 5
Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Building Authority Bonds:						
Service Center	\$ 950,000	\$ 1,085,000	\$ -	\$ -	\$ 950,000	\$ 1,085,000
Courthouse Renovation	2,895,000	3,090,000	-	-	2,895,000	3,090,000
Notes Payable						
Energy conservation	23,020	29,632	-	-	23,020	29,632
1997 Hanger	-	-	40,720	56,750	40,720	56,750
2001 Hanger	-	-	79,513	88,159	79,513	88,159
Fuel tanker	-	-	-	5,430	-	5,430
Totals	<u>\$ 3,868,020</u>	<u>\$ 4,204,632</u>	<u>\$ 120,233</u>	<u>\$ 150,339</u>	<u>\$ 3,988,253</u>	<u>\$ 4,354,971</u>

There were no significant changes in long-term debt. The State of Michigan limits the amount of general obligation debt that local units of government can issue to 10% of the current equalized valuation, including TIF valuations. The County's outstanding general obligation debt of \$3,988,253 is well below statutory limits.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County Board of Commissioners and county management will consider many factors when setting the fiscal year budget, tax rates and fees that will be charged for services. One of those factors is the uncertainty of State revenue sharing, the shift in County tax collections to the summer and the establishment of a Revenue Sharing Reserve Fund will impact future cash flows. Other changes in State government financing will affect the way programs and services are provided. The continuing issues with funding on both the State and Federal level present financial challenges outside of the County's control that effect the level of services provided. The economy in the Delta County area appears to be flat in relation to job growth or job loss. The cost of living in the Delta County area is below the national and State average, but real estate values continue to climb. The growth of other costs continue to rise at the national inflation rate or lower, with the exception of health care costs which continue to be a concern for the County and local employers. These factors were taken into account when adopting the 2008 budget.

The future budgets of the County need to account for the affects of the above mentioned factors and new ones, while providing for statutory responsibilities. Fluctuations in fuel costs will have a significant impact on some areas of the budget, such as utilities, and indirect affects on others. Reduction in State and Federal programs, without corresponding reductions in service level requirements are likely to occur. The limiting of property tax revenue growth through the Headlee Amendment and Proposal A, may require reductions in discretionary services to fund mandated services. Cash flow issues, due to the shift in property tax collections, will limit the County's ability to use fund reserves.

The uncertainty of the State of Michigan's tax structure, to fund the reinstatement of revenue sharing to counties, makes for an unstable outlook. The current fiscal crisis for the State of Michigan will continue to create a high level of uncertainty for Delta County. The uncertainty of the State of Michigan's tax structure to fund the reinstatement of revenue sharing to counties, may result in a significant reduction of revenues beginning in 2010. Cuts to State programs, cuts in local government support by the State, and shifting funding or program responsibilities to the County in order to balance the State budget, makes for an unstable outlook.

In 2004 the County began to install the infrastructure at the Renaissance Zone located at the county airport. This project is being funded in part by a grant from the United States Department of Economic Development Administration, Community Development Block Grant funds from the State of Michigan and local matching funds. In 2006 Delta County began preliminary studies to replace the aging County jail. By starting this process the County can explore capacity and funding options. Delta County is working with other Upper Peninsula counties to study a regional jail option also. Future capital projects that have been deferred in the past few years will need to be addressed, while capital from outside sources is limited.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers and customers, as well as investors and creditors with a general overview of the County's finances and to show the County's accountability for the revenues it receives. If you have questions about this report or need additional information, contact the County Administrator at the Delta County Courthouse, 310 Ludington Street, Escanaba, Michigan, 49829.

COUNTY OF DELTA, MICHIGAN
STATEMENT OF NET ASSETS
September 30, 2007

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 11,401,367	\$ 2,031,681	\$ 13,433,048
Investments	2,047,515	-	2,047,515
Receivables:			
Accounts	189,706	14,974	204,680
Current taxes	988,074	-	988,074
Notes	139,265	-	139,265
Delinquent taxes	-	876,402	876,402
Interest	-	106,949	106,949
Due from other governmental units	237,052	-	237,052
Internal balances	-	-	-
Prepays	49,583	-	49,583
Inventory	-	36,476	36,476
Total current assets	<u>15,052,562</u>	<u>3,066,482</u>	<u>18,119,044</u>
Noncurrent assets:			
Delinquent taxes	-	164,054	164,054
Long-term contract receivable	-	-	-
Capital assets, net of accumulated depreciation	7,872,108	10,545,497	18,417,605
Total noncurrent assets	<u>7,872,108</u>	<u>10,709,551</u>	<u>18,581,659</u>
Total assets	<u>\$ 22,924,670</u>	<u>\$ 13,776,033</u>	<u>\$ 36,700,703</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 455,111	\$ 22,474	\$ 477,585
Accrued payroll	195,074	10,832	205,906
Accrued interest	32,425	-	32,425
Due to other governmental units	1,196	-	1,196
Deferred revenue	-	-	-
Unamortized refunding bond premium	-	-	-
Long-term liabilities due within one year:			
Compensated absences	193,209	13,071	206,280
Notes payable	6,745	25,676	32,421
Bonds payable	365,000	-	365,000
Total current liabilities	<u>1,248,760</u>	<u>72,053</u>	<u>1,320,813</u>
Long-term liabilities:			
Compensated absences	579,625	39,212	618,837
Notes payable	16,275	94,557	110,832
Bonds payable	3,480,000	-	3,480,000
Total long-term liabilities	<u>4,075,900</u>	<u>133,769</u>	<u>4,209,669</u>
Total liabilities	<u>5,324,660</u>	<u>205,822</u>	<u>5,530,482</u>
NET ASSETS			
Invested in capital assets, net of related debts	4,027,108	10,425,264	14,452,372
Restricted for:			
Expendable:			
Special revenue	2,953,863	-	2,953,863
Debt service	-	-	-
Capital projects	25,071	45,913	70,984
Unrestricted	10,593,968	3,099,034	13,693,002
Total net assets	<u>17,600,010</u>	<u>13,570,211</u>	<u>31,170,221</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 22,924,670</u>	<u>\$ 13,776,033</u>	<u>\$ 36,700,703</u>

See accompanying notes to financial statements.

Component Units		
District Health Department	Road Commission	Department of Human Services
\$ 13,564	\$ 302,130	\$ 271,593
-	1,222,092	-
333,073	19,076	74,728
-	-	-
-	-	-
-	-	-
231,418	809,845	101,029
-	-	-
94,713	39,563	-
-	728,839	-
<u>672,768</u>	<u>3,121,545</u>	<u>447,350</u>
-	-	-
-	30,000	-
<u>273,869</u>	<u>20,096,248</u>	<u>-</u>
<u>273,869</u>	<u>20,126,248</u>	<u>-</u>
<u>\$ 946,637</u>	<u>\$ 23,247,793</u>	<u>\$ 447,350</u>
\$ 111,961	\$ 271,280	\$ -
92,026	58,974	-
-	103,140	-
-	146,349	200,000
48,583	383,872	75,000
-	28,550	-
90,614	-	-
-	-	-
-	120,000	-
<u>343,184</u>	<u>1,112,165</u>	<u>275,000</u>
271,844	203,238	-
-	-	-
-	4,800,000	-
<u>271,844</u>	<u>5,003,238</u>	<u>-</u>
<u>615,028</u>	<u>6,115,403</u>	<u>275,000</u>
273,869	15,073,108	-
-	-	-
-	-	-
-	-	-
<u>57,740</u>	<u>2,059,282</u>	<u>172,350</u>
<u>331,609</u>	<u>17,132,390</u>	<u>172,350</u>
<u>\$ 946,637</u>	<u>\$ 23,247,793</u>	<u>\$ 447,350</u>

COUNTY OF DELTA, MICHIGAN
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2007

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Primary Government			Component Units
				Governmental Activities	Business-type Activities	Total	
Primary government:							
Governmental activities:							
Legislative	\$ 168,837	\$ -	\$ -	\$ (168,837)	\$ -	\$ (168,837)	\$ -
Judicial system	2,498,014	772,818	1,116,494	(608,702)	-	(608,702)	-
General government	3,168,406	639,753	147,797	(2,380,856)	-	(2,380,856)	-
Public safety	3,503,219	306,416	357,521	(2,717,556)	-	(2,717,556)	-
Health and welfare	1,115,300	39,412	250,383	(825,505)	-	(825,505)	-
Recreation and culture	567,414	374,577	-	(192,837)	-	(192,837)	-
Other - appropriation	1,167,230	-	-	(1,167,230)	-	(1,167,230)	-
Other	400	-	-	(400)	-	(400)	-
Interest on long-term debt	208,480	-	-	(208,480)	-	(208,480)	-
Total governmental activities	12,397,300	2,132,976	1,872,195	(8,270,403)	-	(8,270,403)	-
Business-type activities:							
Delinquent tax revolving	54,432	440,714	-	-	386,282	386,282	-
Airport	1,232,112	435,695	-	-	(649,416)	(649,416)	-
Jail commissary	9,237	26,833	-	-	17,596	17,596	-
Total business-type activities	1,295,781	903,242	-	-	(245,538)	(245,538)	-
Total primary government	13,693,081	3,036,218	1,872,195	(8,270,403)	(245,538)	(8,515,941)	-
Component units:							
District Health Department	4,097,539	927,505	2,317,622	-	-	-	(852,412)
Road Commission	5,004,725	1,213,428	4,044,356	-	-	-	2,255,959
Department of Human Services	1,766,605	-	1,556,590	-	-	-	(210,015)
Total component units	\$ 10,868,869	\$ 2,140,933	\$ 7,918,568	\$ -	\$ -	\$ -	1,193,532
General revenues:							
Property taxes				8,485,751	-	8,485,751	-
Grants and contributions not restricted to specific programs				575,013	23	575,036	-
Unrestricted investment earnings				583,862	-	583,862	176,084
Miscellaneous				(960,292)	464,934	(495,358)	495,358
Transfers							
Total general revenues and transfers				8,684,334	464,957	9,149,291	671,442
Change in net assets				413,931	219,419	633,350	1,864,974
Net assets, beginning				17,186,079	13,350,792	30,536,871	15,771,375
Net assets, ending				\$ 17,600,010	\$ 13,570,211	\$ 31,170,221	\$ 17,636,349

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2007

	General Fund	Revenue Sharing Reserve	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and equivalents:				
Unrestricted	\$ 2,000,458	\$ 2,356,716	\$ 2,772,138	\$ 7,129,312
Receivables:				
Accounts	-	-	189,706	189,706
Property taxes	988,074	-	-	988,074
Due from other funds	-	-	9,998	9,998
Due from State of Michigan	220,533	-	16,519	237,052
Prepaid expense	49,583	-	-	49,583
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 3,258,648</u>	<u>\$ 2,356,716</u>	<u>\$ 2,988,361</u>	<u>\$ 8,603,725</u>
LIABILITIES				
Accounts payable	\$ 412,463	\$ -	\$ 14,921	\$ 427,384
Due to other funds	502,266	-	1,789	504,055
Due to other governmental units	-	-	1,196	1,196
Accrued payroll and related liabilities	143,262	-	43,068	186,330
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>1,057,991</u>	<u>-</u>	<u>60,974</u>	<u>1,118,965</u>
FUND BALANCES				
Unreserved:				
Designated	91,446	-	1,205,372	1,296,818
Undesignated	2,059,628	2,356,716	-	4,416,344
Unreserved, reported as non-major:				
Special revenue funds	-	-	1,384,364	1,384,364
Debt service	-	-	54,855	54,855
Capital projects	-	-	282,796	282,796
Reserved - prepaid expenditures	49,583	-	-	49,583
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>2,200,657</u>	<u>2,356,716</u>	<u>2,927,387</u>	<u>7,484,760</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 3,258,648</u>	<u>\$ 2,356,716</u>	<u>\$ 2,988,361</u>	<u>\$ 8,603,725</u>

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
September 30, 2007

Total fund balances for governmental funds	\$ 7,484,760
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Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land and land improvements	271,512	
Buildings and improvements	12,034,717	
Machinery and equipment	868,726	
Accumulated depreciation	(5,302,847)	
Total capital assets		7,872,108

The County uses internal service funds for the purpose of internally financing various County projects and for activities related to the Service Center. The assets and liabilities of these internal service funds are included in the governmental activities in the statement of net assets.

6,916,421

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets.

Accrued interest on long-term debt	(32,425)	
Bonds payable	(3,845,000)	
Notes payable	(23,020)	
Compensated absences	(772,834)	
		(4,673,279)

Total net assets of governmental activities	\$ <u>17,600,010</u>
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See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2007

	General Fund	Revenue Sharing Reserve	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes	\$ 5,546,812	\$ 1,522,753	\$ 1,416,186	\$ 8,485,751
Licenses and permits	1,540	-	187,718	189,258
Federal sources	613,642	-	183,543	797,185
State sources	787,502	-	556,958	1,344,460
Local sources	-	-	330,863	330,863
Charges for services	1,292,381	-	160,213	1,452,594
Interest and rentals	260,172	73,302	4,800	338,274
Other	201,537	-	393,790	595,327
Total revenues	8,703,586	1,596,055	3,234,071	13,533,712
EXPENDITURES:				
Legislative	168,837	-	-	168,837
Judicial system	2,348,033	-	27,030	2,375,063
General government	2,520,647	-	546,712	3,067,359
Public safety	2,017,819	-	1,318,897	3,336,716
Health and welfare	51,954	-	1,044,993	1,096,947
Recreation and cultural	154,645	-	382,189	536,834
Others - appropriations	1,167,230	-	-	1,167,230
Capital outlay	-	-	162,349	162,349
Debt service:				
Principal	-	-	330,000	330,000
Interest	-	-	211,050	211,050
Other	-	-	400	400
Total expenditures	8,429,165	-	4,023,620	12,452,785
Excess revenues (expenditures)	274,421	1,596,055	(789,549)	1,080,927
OTHER FINANCING SOURCES (USES):				
Transfer in	801,101	-	1,488,358	2,289,459
Transfer out	(2,150,502)	(747,765)	(160,847)	(3,059,114)
Total other financing sources (uses)	(1,349,401)	(747,765)	1,327,511	(769,655)
Net change in fund balance	(1,074,980)	848,290	537,962	311,272
Fund balances - beginning of year	3,275,637	1,508,426	2,389,425	7,173,488
Fund balances - end of year	\$ 2,200,657	\$ 2,356,716	\$ 2,927,387	\$ 7,484,760

See accompanying notes to financial statements.

DELTA COUNTY, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2007

Net changes in fund balances - total governmental funds \$ 311,272

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$379,802) exceeded capital outlays (\$145,951). (233,851)

Internal service funds are used by management to account for activities related to accumulating resources to pay for sick leave upon termination, the accumulation of residual equity from delinquent tax collections and the operation of the service center building. The net revenue (expense) of the internal service funds is reported with governmental activities. 201,139

Repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Assets.

Principal repayments:		
Bond principal		330,000
Note principal		6,612

Net change in net book value of asset disposals (20,290)

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Compensated absences	(183,521)	
Accrued interest on bonds	2,570	(180,951)
Changes in net assets of governmental activities		\$ 413,931

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2007

	Airport	Tax Revolving 2006	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents					
Unrestricted	\$ 35,633	\$ 757,598	\$ 1,194,031	\$ 1,987,262	\$ 4,272,055
Restricted	44,419	-	-	44,419	-
Investments	-	-	-	-	2,047,515
Receivables:					
Accounts	14,974	-	-	14,974	-
Notes	-	-	-	-	139,265
Current taxes	-	876,402	-	876,402	-
Interest	-	61,348	45,601	106,949	-
Due from other funds	-	-	-	-	494,057
Inventory	36,476	-	-	36,476	-
Total current assets	<u>131,502</u>	<u>1,695,348</u>	<u>1,239,632</u>	<u>3,066,482</u>	<u>6,952,892</u>
Noncurrent assets:					
Delinquent taxes	-		164,054	164,054	-
Capital assets, net of accumulated depreciation	10,545,497	-	-	10,545,497	-
Total noncurrent assets	<u>10,545,497</u>	<u>-</u>	<u>164,054</u>	<u>10,709,551</u>	<u>-</u>
Total assets	<u><u>\$ 10,676,999</u></u>	<u><u>\$ 1,695,348</u></u>	<u><u>\$ 1,403,686</u></u>	<u><u>\$ 13,776,033</u></u>	<u><u>\$ 6,952,892</u></u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 22,474	\$ -	\$ -	\$ 22,474	\$ 27,727
Accrued payroll	10,832	-	-	10,832	8,744
Due to other funds	-	-	-	-	-
Compensated absences	13,071	-	-	13,071	-
Notes payable	25,676	-	-	25,676	-
Total current liabilities	<u>72,053</u>	<u>-</u>	<u>-</u>	<u>72,053</u>	<u>36,471</u>
Noncurrent liabilities:					
Compensated absences	39,212	-	-	39,212	-
Notes payable	94,557	-	-	94,557	-
Total noncurrent liabilities	<u>133,769</u>	<u>-</u>	<u>-</u>	<u>133,769</u>	<u>-</u>
Total liabilities	<u>205,822</u>	<u>-</u>	<u>-</u>	<u>205,822</u>	<u>36,471</u>
NET ASSETS					
Invested in capital assets, net of related debt	10,425,264	-	-	10,425,264	-
Restricted - capital projects (expendable)	45,913	-	-	45,913	-
Unrestricted		1,695,348	1,403,686	3,099,034	6,916,421
Total net assets	<u>10,471,177</u>	<u>1,695,348</u>	<u>1,403,686</u>	<u>13,570,211</u>	<u>6,916,421</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 10,676,999</u></u>	<u><u>\$ 1,695,348</u></u>	<u><u>\$ 1,403,686</u></u>	<u><u>\$ 13,776,033</u></u>	<u><u>\$ 6,952,892</u></u>

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Year Ended September 30, 2007

	Airport	Tax Revolving 2006	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES:					
Charges for services	\$ 61,814	\$ 49,614	\$ 143,740	\$ 255,168	\$ -
Fuel sales	229,920	-	-	229,920	-
State sources	-	-	-	-	-
Rental and interest income	121,173	105,322	134,629	361,124	729,991
Miscellaneous	19,440	1,062	33,202	53,704	29,899
	<u>432,347</u>	<u>155,998</u>	<u>311,571</u>	<u>899,916</u>	<u>759,890</u>
Total operating revenue					
OPERATING EXPENSES:					
Salaries and fringes	427,860	-	-	427,860	444,059
Supplies	5,586	1,145	27,161	33,892	52,521
Cost of goods sold	193,177	-	-	193,177	-
Contracted services	10,970	-	27,428	38,398	8,509
Travel	1,376	-	-	1,376	-
Repairs and maintenance	19,705	-	-	19,705	31,903
Utilities	80,443	-	-	80,443	68,933
Recording fees	-	-	3,430	3,430	-
Advertising and promotion	2,458	-	-	2,458	-
Insurance	13,115	-	-	13,115	-
Education and training	3,828	-	-	3,828	-
Depreciation	467,918	-	-	467,918	-
Miscellaneous	302	4,505	-	4,807	-
	<u>1,226,738</u>	<u>5,650</u>	<u>58,019</u>	<u>1,290,407</u>	<u>605,925</u>
Total operating expenses					
Operating income (loss)	<u>(794,391)</u>	<u>150,348</u>	<u>253,552</u>	<u>(390,491)</u>	<u>153,965</u>
NONOPERATING REVENUES (EXPENSES):					
Interest income	23	-	-	23	237,811
Gain on sale of assets	3,348	-	-	3,348	-
Interest expense	(5,374)	-	-	(5,374)	-
	<u>(2,003)</u>	<u>-</u>	<u>-</u>	<u>(2,003)</u>	<u>237,811</u>
Total nonoperating revenue (expense)					
Income (loss) before transfers and contributions	(796,394)	150,348	253,552	(392,494)	391,776
Capital contributions	147,001	-	-	147,001	-
Transfer in	400,000	1,545,000	12,057	1,957,057	1,552,928
Transfer out	-	-	(1,492,123)	(1,492,123)	(1,743,565)
	<u>(249,393)</u>	<u>1,695,348</u>	<u>(1,226,514)</u>	<u>219,441</u>	<u>201,139</u>
Change in net assets					
Total net assets - beginning	10,720,570	-	2,630,200	13,350,770	6,715,282
Total net assets - ending	<u>\$ 10,471,177</u>	<u>\$ 1,695,348</u>	<u>\$ 1,403,686</u>	<u>\$ 13,570,211</u>	<u>\$ 6,916,421</u>

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2007

	Airport	Tax Revolving 2006	Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 288,203	\$ 49,614	\$ 143,740	\$ 481,557	\$ -
Receipts from interest and rents	121,173	43,974	187,499	352,646	912,088
Cash received for collection of taxes	-	1,250,725	867,766	2,118,491	-
Payments to suppliers	(309,097)	(5,650)	(58,019)	(372,766)	(138,985)
Payments for wages and related benefits	(452,911)	-	-	(452,911)	(474,905)
Cash payments for taxes	-	(2,127,127)	-	(2,127,127)	-
Other receipts (payments)	19,440	1,062	-	20,502	-
Net cash provided (used) by operating activities	(333,192)	(787,402)	1,140,986	20,392	298,198
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating transfer in	400,000	1,545,000	12,057	1,957,057	1,552,928
Operating transfer out	-	-	(1,492,123)	(1,492,123)	(1,743,565)
Net cash provided (used) by noncapital financing activities	400,000	1,545,000	(1,480,066)	464,934	(190,637)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of fixed assets	(147,001)	-	-	(147,001)	-
Principal paid on debt instruments	(30,106)	-	-	(30,106)	-
Interest paid on debt instruments	(5,374)	-	-	(5,374)	-
Gain on sale of assets	3,348	-	-	3,348	-
Capital contributions	147,001	-	-	147,001	-
Net cash provided (used) by capital and related financing activities	(32,132)	-	-	(32,132)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest earnings	23	-	-	23	237,811
Net increase (decrease) in cash and equivalents	34,699	757,598	(339,080)	453,217	345,372
Cash and equivalents, beginning of year	45,353	-	1,533,111	1,578,464	5,974,198
Cash and equivalents, end of year	\$ 80,052	\$ 757,598	\$ 1,194,031	\$ 2,031,681	\$ 6,319,570
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ (794,391)	\$ 150,348	\$ 253,552	\$ (390,491)	\$ 153,965
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation expense	467,918	-	-	467,918	-
Changes in assets and liabilities:					
(Increase) decrease in receivables	(3,531)	(937,750)	887,434	(53,847)	104,142
(Increase) decrease in due from other funds	-	-	-	-	16,978
(Increase) decrease in inventory	(15,433)	-	-	(15,433)	-
Increase (decrease) in accounts payable	21,863	-	-	21,863	22,881
Increase (decrease) in accrued payroll	(9,618)	-	-	(9,618)	232
Total adjustments	461,199	(937,750)	887,434	410,883	144,233
Net cash provided by operating activities	\$ (333,192)	\$ (787,402)	\$ 1,140,986	\$ 20,392	\$ 298,198

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
September 30, 2007

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents:	
Unrestricted	\$ 3,982,820
Due from other funds	<u>-</u>
Total assets	<u><u>\$ 3,982,820</u></u>
LIABILITIES	
Due to other funds	\$ -
Due to other governmental units	255,835
Undistributed taxes	2,876,626
Other liabilities	<u>850,359</u>
Total liabilities	<u><u>\$ 3,982,820</u></u>

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background - The County of Delta was organized under the provisions of the Michigan Constitution. The County is operated under a Commission/Administrator form of government and provides services in the following functional areas: legislative, courts, public records, public roads, management, building operation and expense, human service, resource management and development, law enforcement, and health services. The County is governed by an elected five member Board of Commissioners, with the county seat located in the City of Escanaba.

The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The financial statements have been prepared in accordance with GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis*. GASB 34 significantly changes financial reporting for governmental agencies by adding government-wide financial statements, management's discussion and analysis and reporting on infrastructure.

Reporting Entity - For financial reporting purposes, in conformance with GASB Statement 14, as amended by GASB Statement 39, Delta County (the primary government) includes all funds, agencies, boards, commissions, other component units, and authorities that are controlled by or dependent on the County's legislative branch, the County Commission. Control by or dependence is determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the County, obligation of the County to finance any deficits that may occur, or receipt of significant subsidies from the County. In addition, State of Michigan - Department of Treasury pronouncements were considered in the determination process. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Component Units - In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended Component Units - The County has three component units for which the financial data has been blended with the primary government financial statements.

Parks - The Parks Fund is governed by a board, which is appointed by the County's Board of Commissioners. For financial reporting purposes, the Parks Fund is reported as if it were part of the County's operations because its purpose is to provide recreational facilities to the citizens of the County.

Airport - The members of the governing board of the Delta County Airport are appointed by the County's Board of Commissioners. For financial reporting purposes, the Airport is reported as if it were part of the County's operations because its purpose is to provide the opportunity for air travel for the citizens of the Delta County area.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Delta County Building Authority - The Delta County Building Authority is governed by a board which has been appointed by the County's Board of Commissioners. For financial reporting purposes, the Building Authority is reported as if it were part of the County's operations because its purpose is to finance construction projects for the County and the departments of the County.

Discretely presented component unit - The component unit columns in the combined financial statements include the financial data of the Delta-Menominee District Health, Department of Human Services and the Delta County Road Commission. The component units are reported in a separate column to emphasize that they are legally separate from the County.

Delta-Menominee District Health - The members of the governing board of Delta-Menominee District Health are jointly appointed by the Delta County Board of Commissioners and Menominee County Board of Commissioners. Two of the three board members appointed by Delta County are County Commissioners. The Health Department's operations and capital budgets must be approved by the County Commissioners. Complete financial statements of the Health Department can be obtained directly from their administrative office. The Health Department received \$630,282 in appropriations, Delta County's appropriation was \$495,359 or 77% of total appropriations and Menominee County's appropriation was \$134,923 or 23% of total appropriations.

Delta-Menominee District Health
2920 College Avenue
Escanaba, Michigan 49829

Department of Human Services - The Department of Human Services in 2004 became a Zone 1 Regional DHS which accounted for the activities of the following counties: Delta, Menominee, Dickinson, Iron, Schoolcraft, Gogebic, Ontonagon, Alger, Chippewa, Houghton, Keweenaw, Luce, Marquette and Baraga. Each county maintains its own three member DHS board, two appointed by the County and one appointed by the Michigan Governor, but the financial activity is reported in Delta County's financial report because the treasury function of the Agency rests with the Delta County Treasurer. Additional financial information of the agency may be obtained directly from their administrative offices.

Department of Human Services
2920 College Avenue
Escanaba, Michigan 49829

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Delta County Road Commission - The members of the governing board of the Road Commission are elected by the citizenry in a general, popular election. The Road Commission provides the citizens of Delta County road service and maintenance. The Road Commission may not issue debt or levy a tax without the County Board of Commissioners approval.

Delta County Road Commission
3000 32nd Avenue North
Escanaba, Michigan 49829

Related Organization - The Delta Area Transit Authority is an authority for which the Delta County Board of Commissioners appoints the governing board but the Authority is not financially accountable to the County Board. The Delta Area Transit Authority provides low-cost transportation to the citizens of Delta County. Complete financial statements of the Authority can be obtained directly from their administrative office.

Delta Area Transit Authority
2901 27th Avenue North
Escanaba, Michigan 49829

Joint Ventures - Based on the foregoing criteria, the following organizations are not included in the financial report of the County of Delta:

Delta County Landfill Authority - The Authority is formed under separate statutes and ordinances which provide for operation as a joint venture of the participating governmental units. Certain information applicable to the Authority is disclosed in Note Q to the financial statements.

Pinecrest Medical Care Facility - Delta County is a participant with Dickinson and Menominee Counties in a joint venture to operate the Pinecrest Medical Care Facility. The Pinecrest Medical Care Facility was established under PA 178 of 1929 (MCL 404.1) permitting the establishment, operation and control of county medical care facility by two or more counties of less than 1,000,000 population. The Pinecrest Medical Care Board was created for that purpose. The nine-member board is composed of three representatives from each County's Social Services Board. The Counties are obligated by agreement to share equally in providing the local funds necessary for operations and improvements. Pinecrest Medical Care Facility is custodian of their funds and the financial statements are not reported in any one of the three counties. Complete Financial Statements for the Pinecrest Medical Care Facility can be obtained from Pinecrest's Office at N 15995 Main Street, Powers, Michigan 49874.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly Governed Organization

Pathways -On January 1, 1998 the Delta County Community Mental Health Center merged its operations with Superior Behavioral Health which operates under the name of Pathways.

Pathways was established pursuant to the Michigan Constitution of 1963, Article 7, Section 28, the Mental Health Code, 1974 PA 258, as amended, and the Urban Cooperation Act, 1967 PA 7. The County does not have an ongoing financial interest or an ongoing financial responsibility in Pathways but did make an appropriation in the amount of \$275,608.

Complete financial statements for Pathways can be obtained from their office located at 2820 College Avenue, Escanaba, MI 49829.

Accounting Policies - The accounting policies of the County of Delta conform to accounting principles generally accepted in the United States of America as applicable to state and local governments. The following is a summary of the more significant policies:

Fund Accounting - The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide and fund financial statements – The government-wide financial statements include a Statement of Net Assets and a Statement of Activities which report the information on all non-fiduciary activities of the primary government and its component units. Most of the effects of interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely primarily on user fees and charges for service. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrate the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identified with a specific function or segment. Program revenues include 1) charges for services to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a specific function or segment and 2) operating grants and contributions that are restricted to meeting the operating or capital requirements of a particular function or segment and 3) other revenues that are by definition related to the cost of providing a specific function or segment. Taxes and other items not specific to particular functions or segments are reported instead as general revenues.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting and financial statement presentation – The government-wide financial statements use the economic resources measurement focus and full accrual basis of accounting which also include the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon thereafter to be used to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements are recorded only when the payment is due.

Property taxes, licenses, interest revenue and charges for services are considered susceptible to accrual and have been recognized as revenues in the current fiscal period. Grant revenues are considered to be available when all eligibility requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following as major governmental funds:

General Fund – The General Fund is the County's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

Revenue Sharing Reserve – The Revenue Sharing Reserve fund accounts for the activities related to the passing of Public Act 357 of 2004, which requires the County to place \$1,522,753 from each of their December 2004, 2005 and 2006 levy into this fund and transfer a portion of those funds to the General Fund annually until the Revenue Sharing Reserve fund is depleted. The fund was created to supplement the County for the loss of State revenue sharing payments. The amount transferred to the General Fund is determined annually by the State of Michigan.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The County reports the following as major proprietary funds:

Airport – The Airport fund accounts for the activities relating to the operation of a county airport, which is utilized by commercial and private air carriers.

Tax Revolving 2006 – This fund accounts for the purchase and subsequent collection of delinquent real property taxes from the various taxing units throughout the county.

Additionally, the County reports the following fund types:

Governmental Funds:

Special revenue funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments for major capital projects) that are legally restricted to expenditures for specified purposes.

Debt service funds – Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital project funds – Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or in trust funds for individuals, private organizations or other governmental organizations).

Proprietary Funds:

Enterprise funds – Enterprise funds may be used to, “report any activity for which a fee is charged to external users for goods and services.” GASB Statement 34 states that enterprise funds must be used to account for an activity if any of the following three criteria is satisfied:

- The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity.
- Laws or regulations require that the activity’s costs of providing services, including capital costs (such as depreciation or capital debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- The pricing policies of the activity establishes fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Internal service funds - These funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the County, or to other governmental entities, on a cost reimbursement basis.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds:

Agency funds – Agency funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities enterprise funds, subject to the same limitation. The County has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the governmental-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Airport enterprise fund are charges to customers for sales and services and the principal operating revenues of the Tax Revolving 2006 fund are interest and fees collected on delinquent property taxes. The County's internal service funds primarily recognize rental income as operating revenue related to renting space in county owned buildings to other governmental entities. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting - The County utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- a. In mid-year a proposed operating budget for the fiscal year commencing the following October 1st is submitted to the County Board of Commissioners. The operating budget includes proposed expenditures and the means of financing them.
- b. Numerous opportunities exist for public comment during the budget process including at least one formal public hearing conducted at the Courthouse to obtain taxpayer comment.
- c. Pursuant to statute, prior to commencement of a year, the budget for the ensuing year is legally enacted through adoption by the County Board of Commissioners.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- d. The general statute governing County budgetary activity is the Uniform Budgeting and Accounting Act.
- e. The County of Delta adopts its Annual Budget on a line item basis. The budget structure consists of levels of detail as follows:

- Resources (revenues)
 - General appropriations and functional groups
 - Departmental appropriations

At each level of detail, governmental operations are summarized into revenue or expenditure account groups. Budgetary control exists at the level adopted by the Board of Commissioners. Accounting, i. e. classification control, resides at the line item detail level.

- f. Budgets are adopted on a basis consistent with the accounting principles followed in the recording of transactions. Budgeted amounts reflected in the financial statements are as originally adopted and subsequently amended by the County Board of Commissioners.
- g. Budgets of certain funds reflect utilization of a portion of beginning fund balance. Only the appropriated beginning fund balance amount is reflected in the budgets under the caption "Fund balance, beginning of year."
- h. Budgets have been amended during 2007. All budget amendments are presented to the Finance Committee or the County Administrator by the department heads for approval. In September, the Board of Commissioners approved all amendments to the annual budget.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash Equivalents and Investments – Cash and investments are segregated on the statement of net assets. Cash deposits consist of demand and time deposits with financial institutions and are reported at carrying amount which is fair value. Investments are stated at cost or amortized cost which approximates market value. For the purpose of the statement of cash flows, the County considers all highly liquid investments with maturities of less than three months or where there is no loss of principal upon early withdrawal, as cash equivalents.

Interfund Receivables and Payables - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the balance sheet.

Inventory - Inventory is valued and recorded as an asset at cost on the first-in first-out method for the Airport enterprise fund. Inventories of all other funds are accounted for as expenditures when purchased.

Property Taxes - Assessed property values are established annually (the first Monday in March) by the local units of government and equalized by the State at an estimated 50% of current market value. Property taxable value is determined in accordance with (MCL 211.34d). The property taxes are levied based on taxable value on December 1, and are payable without penalty through the following February 28.

Real property taxes not paid by February 28 are purchased by the County as part of the March tax settlement. County property taxes are recognized as revenue in the current fiscal year when services financed by the levy are being provided.

The December 2006 taxable valuation of Delta County amounted to \$1,001,249,317 on which ad valorem taxes of 1.6773 mills were levied for County operations, .8749 mills for county road patrol, and .5831 mills for senior citizens programs. The December 2006 tax levy should raise approximately \$1,679,395 for County operations, \$875,993 for road patrol and \$583,828 for senior citizens programs.

In fiscal year 2005, the County was required by Public Act 357 of 2004, to set aside one-third of the December 2004 levy from County operations into a new fund called the Revenue Sharing Reserve Fund, leaving two-thirds of the levy for County General Fund operations. In July 2005, the County levied one-third of the property taxes for County operations and these funds were used to fund operations for the 2005 fiscal year. For the December 1, 2005 levy, the County levied two-thirds of the total number of mills allocated for County operations, with \$1,522,753 going into the Revenue Sharing Reserve Fund and the remaining amount going into the General Fund to cover fiscal year 2006 operations. In July 2006, the County levied two-thirds of the total number of mills allocated for County operations and the proceeds from this levy funded County operations for the 2006 fiscal year. For the December 1, 2006 levy, the County will levy one-third of the total number of mills allocated for County operations, with \$1,522,753 going into the Revenue Sharing Reserve Fund and the remaining amount going into the County General Fund to cover fiscal year 2007 operations. In July 2007, the County will levy the entire allocated County operating mills, which will be used to cover County operations for the 2007 fiscal year. For fiscal years 2007 and beyond, the County's operating mills will be levied as part of the July levy, leaving only the extra voted mills to be levied each December.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property Taxes (continued)

Because County operating mills will be levied on July 1st for each fiscal year ended September 30, it is the County of Delta's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made available for financing operations. Available means collected within the current period or expected to be paid from the delinquent tax revolving fund within one year.

The Revenue Sharing Reserve Fund will be funded by property taxes in the amount of \$4,568,259 over a three-year period and will be used to transfer amounts annually to the General Fund in lieu of the County receiving State revenue sharing payments. The amounts to be transferred to the General Fund will be determined by the State of Michigan annually, an amount of \$747,765 was transferred for fiscal year 2007. The County estimates that the Revenue Sharing Reserve Fund will be depleted during the 2012 fiscal year.

Capital Assets – Capital assets, which include property, buildings, equipment and infrastructure assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the County, as well as its component units, is depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	15 - 30
Buildings and improvements	10 - 50
Machinery and equipment	3 - 30
Infrastructure	15 - 30

Compensated Absences – County employees are granted vacation and sick leave in varying amounts based upon employment classification and length of service. Upon termination, employees are paid for accumulated vacation and sick time, based upon current rate of pay subject to certain limitations. Vacation and sick leave pay is fully accrued in the government-wide financial statements and the proprietary financial statements.

Long-Term Obligations – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Equity - Under the provisions of GASB Statement No. 1, a County may establish reserves for those portions of fund equity not appropriable for expenditure or which are legally segregated for a specific future use. Fund equity designations also may be established to indicate tentative plans for financial resource utilization in a future period.

Other Financing Sources (Uses) - The transfers of cash between the various County funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing and borrowing funds, respectively.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – BUDGET AND FUND BALANCE NON-COMPLIANCE

Budget Violations – Public Act 621 of 1978, as amended, requires the adoption of a balanced budget for the General Fund and Special Revenue Funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

During the year ended September 30, 2007 expenditures were incurred in excess of amounts appropriated in the amended budgets for the following funds:

	Total Appropriation	Expenditures	Budget Variance
General Fund	\$ 10,274,147	\$ 10,579,667	\$ (305,520)
Jail/Out of County Prisoner	5,000	70,000	(65,000)
Drug Enforcement	79,298	87,190	(7,892)
Homestead P.A. 105	16,615	21,728	(5,113)
R.O.D. Automation	40,000	69,444	(29,444)
CDBG Housing	-	18,163	(18,163)
Juvenile Drug Grant	48,827	60,570	(11,743)

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE B – BUDGET AND FUND BALANCE NON-COMPLIANCE (continued)

Deficit Fund Balance – A deficit existed in the unreserved fund balance of the following funds as of September 30, 2007:

Building and Zoning	\$ 50,774
Drug Enforcement	12,132
Co-Probation	47,699
Juvenile Drug Grant	47,634

Public Act 275 of 1980 requires the County to file a deficit elimination plan with the Michigan Department of Treasury showing how the deficits will be eliminated.

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS

The County maintains various cash and investment accounts, including pooled funds that are available for use by all funds. Michigan Compiled Laws, Section 129.91 authorizes the County to deposit and invest in the following:

- a. Bonds, securities and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers' acceptances of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

- g. Mutual funds registered under the Investment Company Act of 1940, title I of chapter 686, 54 sat. 789,15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
 - i. The purchase of securities on a when-issued or delayed delivery basis.
 - ii. The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the securities loaned.
 - iii. The limited ability to borrow and pledge a like portion of the portfolios' assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, MCL 124.501 to 124.512.
- i. Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the Local Government Investment Pool Act, MCL 129.141 to 129.150.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

COUNTY OF DELTA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

The balance sheet caption "Cash" includes imprest cash of \$3,090. Total imprest cash, deposits, investments and the Governmental Accounting Standards Board (GASB) Statement No. 40, risk disclosures for deposits and investments are as follows:

	Primary Government		
	Carrying Amount	Bank Balance	
Cash and equivalents:			
Deposits:			
Insured (FDIC)	\$ 1,462,746	\$ 1,469,486	
Uninsured	15,953,122	16,826,511	
Total cash	\$ 17,415,868	\$ 18,295,997	
Government-Wide Statement of Net Asset Presentation:			
Cash and equivalents:			
Unrestricted & restricted	\$ 13,433,048		
Statement of Fiduciary Net Assets			
Cash and equivalents:			
Unrestricted	3,982,820		
Total cash and equivalents	\$ 17,415,868		
	Fair Value	S & P Credit Rating	Maturity Date
Investments:			
Pooled investment account	\$ 2,047,515	not rated	N/A

Cash has been restricted in the Airport Fund in the amount of \$44,419 for lease payments received from the Renaissance Zone which are only allowed to be used on selected capital projects at the Airport, per FAA requirements.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

The County's cash and investments are subject to several types of risk, which are examined below in more detail:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a policy for custodial credit risk. As noted in the preceding table, the County has \$16,826,511 of bank deposits that were uninsured and uncollateralized.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have a policy for custodial credit risk. The County's pooled investment accounts are in a 2a7-like investment pool, which is evidenced by shares in the pool, not by securities that exist in physical or book-entry form.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The County's investments in 2a7-like investment pools are not subject to interest rate risk disclosure.

Credit Risk

State law and the County's investment policy limits the investment in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The County's investments are with 2a7-like investment pools, which are not rated.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE D - INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at September 30, 2007 represent short-term borrowings between funds and are summarized as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
Residual Equity	494,057		
Road Patrol	4,926		
Community Action	<u>3,283</u>		
Subtotal	<u>502,266</u>	General Fund	<u>502,266</u>
Road Patrol	<u>1,789</u>	Community Action	<u>1,789</u>
Total	<u>\$ 504,055</u>	Total	<u>\$ 504,055</u>

Financial Statement Presentation:

Governmental Funds	\$ 9,998	Governmental Funds	\$ 504,055
Enterprise Funds	-	Enterprise Funds	-
Internal Service Funds	494,057	Internal Service Funds	-
Fiduciary Funds	<u>-</u>	Fiduciary Funds	<u>-</u>
Total	<u>\$ 504,055</u>		<u>\$ 504,055</u>

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE E – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2007, was as follows:

	Balance at 10/01/06	Additions	Disposals	Balance at 09/30/07
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 13,350	\$ -	\$ -	\$ 13,350
Capital assets being depreciated:				
Land improvements	258,162	-	-	258,162
Buildings and improvements	12,024,270	10,447	-	12,034,717
Machinery and equipment	803,740	135,504	70,518	868,726
Total depreciable capital assets	13,086,172	145,951	70,518	13,161,605
Total capital assets	13,099,522	145,951	70,518	13,174,955
Less accumulated depreciation:				
Land improvements	119,543	12,941	-	132,484
Buildings and improvements	4,326,421	262,444	-	4,588,865
Machinery and equipment	527,309	104,417	50,228	581,498
Total accumulated depreciation	4,973,273	379,802	50,228	5,302,847
Net depreciable capital assets	8,055,789	(233,851)	20,290	7,858,758
Governmental activities capital assets, net	\$ 8,126,249	\$ (233,851)	\$ 20,290	\$ 7,872,108
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 1,031,579	\$ -	\$ -	\$ 1,031,579
Capital assets being depreciated:				
Land improvements	337,621	-	-	337,621
Buildings and improvements	4,318,476	-	-	4,318,476
Machinery and equipment	1,189,751	-	-	1,189,751
Infrastructure	8,046,681	147,001	-	8,193,682
Total depreciable capital assets	13,892,529	147,001	-	14,039,530
Total capital assets	14,924,108	147,001	-	15,071,109
Less accumulated depreciation:				
Land improvements	70,524	16,881	-	87,405
Buildings and improvements	815,970	92,382	-	908,352
Machinery and equipment	603,034	62,828	-	665,862
Infrastructure	2,568,166	295,827	-	2,863,993
Total accumulated depreciation	4,057,694	467,918	-	4,525,612
Net depreciable capital assets	9,834,835	(320,917)	-	9,513,918
Business-type activities capital assets, net	\$ 10,866,414	\$ (320,917)	\$ -	\$ 10,545,497

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE E – CAPITAL ASSETS (continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Judicial system	\$ 67,895
General government	169,880
Public safety	111,447
Recreation and culture	<u>30,580</u>
Total governmental activities depreciation expense	<u>\$ 379,802</u>
Business-type activities:	
Airport	<u>\$ 467,918</u>

NOTE F - ROAD COMMISSION CAPITAL ASSETS

The following is a summary of changes in capital assets of the Road Commission:

	Balance at 10/01/06	Additions	Disposals	Balance at 09/30/07
Capital assets not being depreciated:				
Land	\$ 1,412,362	\$ -	\$ 4,513	\$ 1,407,849
Construction in progress	301,974	199,789	67,839	433,924
Infrastructure land improvements	1,027,737	205,119	-	1,232,856
Capital assets being depreciated:				
Buildings and improvements	6,787,854	-	25,184	6,762,670
Machinery and equipment	6,762,709	365,790	158,921	6,969,578
Infrastructure - roads	8,610,129	2,347,150	-	10,957,279
Infrastructure - bridges	1,260,284	93,818	-	1,354,102
Total depreciable capital assets	<u>23,420,976</u>	<u>2,806,758</u>	<u>184,105</u>	<u>26,043,629</u>
Total capital assets	<u>26,163,049</u>	<u>3,211,666</u>	<u>256,457</u>	<u>29,118,258</u>
Less accumulated depreciation:				
Buildings and improvements	1,520,594	195,906	18,385	1,698,115
Machinery and equipment	5,588,972	490,781	128,958	5,950,795
Infrastructure - roads	841,022	503,812	-	1,344,834
Infrastructure - bridges	3,061	25,205	-	28,266
Total accumulated depreciation	<u>7,953,649</u>	<u>1,215,704</u>	<u>147,343</u>	<u>9,022,010</u>
Net depreciable capital assets	<u>15,467,327</u>	<u>1,591,054</u>	<u>36,762</u>	<u>17,021,619</u>
Capital assets, net	<u>\$ 18,209,400</u>	<u>\$ 1,995,962</u>	<u>\$ 109,114</u>	<u>\$ 20,096,248</u>

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE G – LONG – TERM DEBT

The following is a summary of changes in long-term debt for the year ended September 30, 2007:

Type of Debt	Balance 10/1/2006	Additions	Deductions	Balance 9/30/2007	Amounts Due Within One Year
Governmental activities:					
Building Authority bonds- Service Center	\$ 1,085,000	\$ -	\$ 135,000	\$ 950,000	\$ 160,000
Building Authority bonds- Courthouse Renovation	3,090,000	-	195,000	2,895,000	205,000
Energy note	29,632	-	6,612	23,020	6,745
Compensated absences	589,313	183,521	-	772,834	193,209
Total governmental activities long-term debt	\$ 4,793,945	\$ 183,521	\$ 336,612	\$ 4,640,854	\$ 564,954
Business-type activities:					
Note payable- 1997 hanger	\$ 56,750	\$ -	\$ 16,030	\$ 40,720	\$ 16,680
Note payable-2001 hanger	88,159	-	8,646	79,513	8,996
Note payable-fuel truck	5,430	-	5,430	-	-
Compensated absences	60,421	-	8,138	52,283	13,071
Total business-type activities long-term debt	\$ 210,760	\$ -	\$ 38,244	\$ 172,516	\$ 38,747

Debt service requirements on long-term debt at September 30, 2007 are as follows:

For the Year Ending September 30,	Governmental Activities				Business-Type Activities	
	Bonds Payable		Notes Payable		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 365,000	\$ 194,550	\$ 6,745	\$ 399	\$ 25,676	\$ 4,324
2009	370,000	176,140	6,882	263	26,718	3,282
2010	375,000	157,330	7,021	124	16,423	2,318
2011	385,000	138,205	2,372	10	10,136	1,864
2012	420,000	118,505	-	-	10,547	1,453
2013-2017	1,600,000	313,245	-	-	30,733	1,735
2018-2022	330,000	16,500	-	-	-	-
Total	<u>\$3,845,000</u>	<u>\$1,114,475</u>	<u>\$ 23,020</u>	<u>\$ 796</u>	<u>\$ 120,233</u>	<u>\$ 14,976</u>

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE G – LONG – TERM DEBT (continued)

Governmental Activities:

In 1988, the Delta County Building Authority issued bonds for the purpose of constructing a Mental Health Facility. In 1994 the Building Authority redeemed the outstanding 1988 bond issue with a refunding bond issue in the amount of \$2,180,000. Annual principal payments are due each August 1st and semi-annual interest payments are due each February 1st and August 1st, the bonds bear an interest rate ranging between 3.1% to 5.3%.

In 1994 the Delta County Building Authority issued bonds in the amount of \$4,820,000 for the purpose of renovating the county courthouse. Annual principal payments are due each August 1st and semi-annual interest payments are due each February 1st and August 1st, the bonds bear an interest rate of 5%.

In 2004, the County signed a note with Northern Lights Revolving Loan Fund, which is operated by the Michigan Technical Education Center in the amount up to \$250,000 for the purposes of funding certain energy improvement projects on county operated facilities. The note amounted to \$50,632 and will be amortized for seven years and bears an interest rate of 2%.

Business-Type Activities:

During the year ended September 30, 1997 the Residual Equity Fund, an internal service fund, made a loan to the Airport Fund, an enterprise fund, in the amount of \$183,000 for the construction of hangars. The note calls for monthly payments of \$1,500 until the year 2010 and bears an interest rate which varies from year to year and is based upon investment rate of returns earned by the County which was approximately 3.983% for the year ended September 30, 2007.

Also, during the year ended September 30, 2001, the Airport Fund borrowed an additional \$135,000 from the Residual Equity Fund for the construction of an additional hangar. The note calls for monthly payments of \$1,000 per month until the year 2014 and has the same interest rate feature as the 1997 note.

During the year ended September 30, 2005 the Residual Equity Fund, an internal service fund, made a loan to the Airport Fund, an enterprise fund, in the amount of \$30,000 for the purchase of a fuel tanker truck. The note calls for monthly payments of \$1,250 until the year 2007 and bears an interest rate which varies from year to year and is based upon investment rate of returns earned by the County which was approximately 3.983% for the year ended September 30, 2007. This note was paid off in 2007.

Compensated Absences:

Substantially all County employees are entitled to certain vacation and sick pay benefits that accrue and vest under various parameters, dependent upon which labor contract the employee is subject to or upon which department or fund the employee is within. Compensated absences in the amount of \$772,834 are reported under the governmental activities and \$52,283 is reported under business-type activities in the Statement of Net Assets.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE H - ROAD COMMISSION LONG-TERM DEBT

The general long-term debt of the Road Commission may be summarized as follows:

Type of Debt	Balance 10/1/2006	Additions	Deductions	Balance 9/30/2007	Amounts Due Within One Year
Michigan Transportation Fund Bonds	\$ 5,035,000	\$ -	\$ 4,915,000	\$ 120,000	\$ 120,000
MTF Refunding Bonds	-	4,800,000	-	4,800,000	-
Compensated Absences	197,065	6,173	-	203,238	-
Total long-term debt	\$ 5,232,065	\$ 4,806,173	\$ 4,915,000	\$ 5,123,238	\$ 120,000

Debt service requirements on long-term debt at September 30, 2007 are as follows:

For the Year Ending September 30,	County Road Commission			
	1999 Bonds Payable		2007 Refunding Bond Series	
	Principal	Interest	Principal	Interest
2008	\$ 120,000	\$ 14,720	\$ -	\$ 127,210
2009	-	134,085	20,000	204,961
2010	-	138,105	25,000	204,062
2011	-	-	150,000	200,561
2012	-	-	175,000	194,062
2013	-	-	180,000	186,962
2014	-	-	185,000	179,546
2015	-	-	195,000	171,586
2016-2020	-	-	1,105,000	715,858
2021-2025	-	-	1,400,000	449,704
2026-2028	-	-	1,365,000	122,112
Total	\$ 120,000	\$ 286,910	\$ 4,800,000	\$ 2,756,624

Bonds Payable:

1999 Bond

In 1999, the Delta County Board of Commissioners approved and issued Michigan Transportation Fund Bonds in the amount of \$5,690,000 for the purpose of constructing a new county road commission facility. Annual principal payments are due each November 1st and semi-annual interest payments are due each May 1st and November 1st, and bear an interest rate ranging between 4.6% to 7.0%. During September 2007, the County issued advanced refunding bonds in the amount of \$4,800,000 which will be placed in an escrow account to pay off the 1999 bonds. The 1999 bonds are callable November 2009 with a refunded principal of \$4,540,000. The principal and interest payments up to November 2009 will consist of payments by the Road Commission and the escrow account to satisfy the remaining debt.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE H – ROAD COMMISSION LONG-TERM DEBT (continued)

Bonds Payable:

2007 Advanced Refunded Bond

On September 18, 2007, the County of Delta approved a \$4,800,000 Michigan Transportation Fund Refunding Bonds, Series 2007, to refund the 1999 bonds that were for the purpose of constructing Road Commission buildings. An advanced refunding bond occurs when a new debt is issued to refinance an existing debt (old debt), but the proceeds must be placed in escrow pending call date or maturity. The difference between the cash flow required to service the old debt and required to service the new debt and complete the refunding is \$254,426. The economic gain from the transaction (difference between the present value of the old debt service requirement and the present value of the new debt service requirement, discounted at the effective interest rate on the new debt and adjusted for any additional cash) is \$197,305. The total bond issuance cost, including issuance cost, underwriter's discount, insurance fee, and additional proceeds, was \$111,308. The refunding bond is payable over the period of 2008 to 2028 at interest rates ranging from 4% to 5%.

Compensated Absences:

The Road Commission employment policies provide for vacation and sick leave benefits to be earned in varying amounts depending on the number of years of service of the employee. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements and amounted to \$203,238 for the year ended September 30, 2007.

NOTE I – DISTRICT HEALTH COMPENSATED ABSENCES

The Health Department's policies regarding vacation and sick time permits employees to accumulate earned but unused vacation and sick time. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements and amounted to \$362,458 for the year ended September 30, 2007.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE J - OPERATING TRANSFERS IN AND OUT

Transfers between governmental and proprietary funds are made to fund various County programs operational expenditures and are summarized as follows for the year ended September 30, 2007:

	Transfers In	Transfers Out
Governmental Funds:		
General Fund	\$ 801,101	\$ 2,150,502
Revenue Sharing Reserve	-	747,765
Road Patrol	-	38,666
County Parks	64,273	-
Jail/Out of County Prisoner		48,056
Building and Zoning	136,523	7
Drug Enforcement	38,666	-
Law Library	21,000	-
Soldiers and Sailors	350	-
Co-Probation	61,253	-
Juvenile Drug Grant	8,366	-
Child Care	350,000	69,619
Capital Outlay	20,000	-
Library Penal Fines	-	4,500
Courthouse Renovation	349,500	-
Service Center Debt	198,565	-
Renaissance Zone	239,862	-
Enterprise Funds:		
Airport	400,000	-
Tax Revolving Administration	12,057	5,280
Tax Revolving 2002	-	67
Tax Revolving 2003	-	2,732
Tax Revolving 2004	-	4,046
Tax Revolving 2005	-	1,479,998
Tax Revolving 2006	1,545,000	-
Internal Service Funds:		
Termination/Sick Leave	77,928	-
Service Center	-	198,565
Residual Equity	1,475,000	1,545,000
Component Units:		
District Health	495,359	-
Total	<u>\$ 6,294,803</u>	<u>\$ 6,294,803</u>

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE K - RETIREMENT PLANS

General County

Plan Description - The General County, District Health Department (discretely presented component unit) and the County Road Commission (discretely presented component unit) participate in a defined benefit non-contributory retirement plan. The union personnel for the District Health Department participate in a defined benefit contributory plan. All plan types are administered by the Municipal Employee's Retirement System (MERS). All plans cover substantially all full-time employees. MERS is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for Michigan municipal employees.

The Municipal Employees Retirement System of Michigan (MERS) is a multiple-employer statewide public employee retirement plan created by the State of Michigan to provide retirement, survivor and disability benefits, on a voluntary basis to the State's local government employees in the most efficient and effective manner possible. As such, MERS is a non-profit entity qualified under section 401(a) of the Internal Revenue Code, which has the responsibility of administering the law in accordance with the expressed intent of the Legislature and bears a fiduciary obligation to the State of Michigan, the taxpayers and the public employees who are its beneficiaries.

The passage of HB-5525/Act No. 220, with enactment on May 28, 1996 allowed the members of MERS to vote on and determine if MERS should become an independent public corporation. The vote resulted in approval to become independent of State control and MERS began to operate as an independent public corporation effective August 15, 1996. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. A copy of the report may be obtained by writing to MERS at 447 N. Canal Road, Lansing, MI 48917.

General County Plan

General County Retirement Plan - The General County offers its various departments benefit B-4. Benefit B-4 provides for employees to receive 2.5% of their final three or five year final average compensation, depending on the benefit adopted, with a maximum benefit of 80% of the final average compensation. Retirement eligibility and requirements vary by department. The most recent actuarial report gives the details of the plan and a copy is on file at the County Administration office.

Actuarial Accrued Liability - The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2006. Significant actuarial assumptions used in determining the actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 8.40% per year, depending on age, attributable to seniority/merit.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE K – RETIREMENT PLANS (continued)

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2006 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

GASB 25 INFORMATION (as of 12/31/06)

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	\$ 9,942,686
Terminated employees not yet receiving benefits	842,265
Non-vested terminated employees (pending refunds of accumulated member contributions)	24,261
Current Employees:	
Accumulated employee contributions including allocated investment income	257,783
Employer financed	<u>12,011,166</u>
Total actuarial accrued liability	23,078,161
Net assets available for benefits, at actuarial value (market value is \$17,271,980)	<u>17,033,695</u>
Unfunded (overfunded) actuarial accrued liability	<u><u>\$ 6,044,466</u></u>

GASB 27 INFORMATION (as of 12/31/06)

Fiscal year beginning	October 1, 2008
Annual required contribution (ARC)	\$ 868,764
Amortization factor used	0.054719

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE K - RETIREMENT PLANS (continued)

Contributions Required and Contributions Made - MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2006 were determined using the entry age normal cost actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Annual Pension Cost Year Ended September 30,	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
2004	\$ 715,819	100%	\$ -
2005	831,477	100%	-
2006	882,606	100%	-

The General County made contributions to the plan of \$2,268,090 for the year ended September 30, 2007. Of that amount, \$1,142,300 was for discretionary payments made by the County in an attempt to reduce their unfunded liability. Payments were based on contribution calculations made by MERS.

Aggregate Accrued Liabilities - Comparative Schedule

Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2004	\$ 13,979,445	\$ 20,362,065	\$ 6,382,620	69%	\$ 4,039,633	158%
2005	14,969,735	21,715,339	6,745,604	69%	4,113,173	164%
2006	17,033,695	23,078,161	6,044,466	74%	4,197,546	144%

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value.

Actuarial assumptions for MERS valuations were revised for the 1993, 1997, 2000 and 2004 valuations. The funding method was changed to entry age normal for the 1993 valuation.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE K - RETIREMENT PLANS (continued)

The County was required to contribute at an actuarially determined rate, which is a percentage of covered payroll as listed below:

	Contribution Percentage				
	2008 *	2007 *	2006 *	2005 *	2004 *
Circuit court employees	16.93%	16.93%	17.26%	17.49%	16.99%
Sheriff	19.10%	18.95%	18.82%	17.66%	16.59%
General AFSCME	21.01%	21.21%	21.12%	21.24%	21.46%
Elected department heads	25.88%	25.94%	25.63%	23.96%	23.18%
District court employees	13.73%	15.79%	16.94%	15.43%	15.60%
Probate court employees	23.75%	26.27%	27.63%	26.97%	28.80%
Nonunion contract employee	24.56%	26.55%	0.00%	0.00%	0.00%
Road patrol deputy	16.02%	17.42%	16.17%	13.13%	14.41%

* Represents the actuarial required contribution for the fiscal year beginning October 1.

District Health Department (component unit)

District Health Department Retirement Plan - The District Health Department offers its employees either benefit C-2 or B-4 with six and ten year vesting. Under benefit C-2 employees shall receive 2.0% of their five year final average compensation which is payable until attainment of the age at which unreduced Social Security benefits are available at which time the benefit reverts to the basic Benefit A, C New, C Old, C-1 New, C-1 Old or B-1. Also under benefit C-2, employees have a contribution of between 3% - 5% of annual compensation. Under benefit B-4 employees shall receive 2.5% of their highest five years final average compensation, with a maximum benefit of 80% of the final average compensation. The most recent actuarial report gives the details of the plan and a copy is on file in the accounting department at the District Health Department.

Actuarial Accrued Liability - The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2006. Significant actuarial assumptions used in determining the actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 8.40% per year, depending on age, attributable to seniority/merit.

COUNTY OF DELTA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE K - RETIREMENT PLANS (continued)

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2006 actuarial valuation to determine the annual employer contribution amounts. The entry age normal cost actuarial method was used to determine the entries at disclosure.

GASB 25 INFORMATION (as of 12/31/06)

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	\$ 400,156
Terminated employees not yet receiving benefits	801,194
Non-vested terminated employees (pending refunds of accumulated member contributions)	24,918
Current Employees:	
Accumulated employee contributions including allocated investment income	241,344
Employer financed	<u>3,139,227</u>
Total actuarial accrued liability	4,606,839
Net assets available for benefits, at actuarial value (market value is \$5,890,252)	<u>5,808,990</u>
Unfunded (overfunded) actuarial accrued liability	<u><u>\$ (1,202,151)</u></u>

GASB 27 INFORMATION (as of 12/31/06)

Fiscal year beginning	January 1, 2008
Annual required contribution (ARC)	\$ 94,752
Amortization factor used - overfunded liabilities (29 years)	0.054719
Amortization factor used - overfunded liabilities (10 years)	0.119963

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE K – RETIREMENT PLANS (continued)

Contributions Required and Contributions Made - MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2006 were determined using the entry age normal actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Annual Pension Cost Year Ended December 31,	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
2004	\$ 131,069	100%	-
2005	164,271	100%	-
2006	184,925	100%	-

The District Health Department made contributions of \$220,195 and members under benefit C-2 made contributions of \$18,053 for the year ended September 30, 2007.

Aggregate Accrued Liabilities - Comparative Schedule

Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2004	\$ 4,755,593	\$ 4,030,006	\$ (725,587)	118%	\$ -	0%
2005	5,218,034	4,302,212	(915,822)	121%	-	0%
2006	5,808,990	4,606,839	(1,202,151)	121%	-	0%

The Actuarial assumptions for MERS valuations were revised for the 1993, 1997, 2000 and 2004 valuations. The funding method was changed to entry age normal for the 1993 valuation.

County Road Commission (component unit)

Road Commission Retirement Plan - The Delta County Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty connected death and post retirement adjustments to plan members and their beneficiaries.

COUNTY OF DELTA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE K - RETIREMENT PLANS (continued)

Actuarial Accrued Liability - All entries are based on the actuarial methods and assumptions that were used in the December 31, 2006 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission's competitive bargaining unit and personnel policy, which do not require employees to contribute to the plan. The Road Commission is required to contribute at an actuarially determined rate; the rate was 17.41% for teamsters, 26.86% for administrative staff, 0% for the managing director and 20.55% for supervisory for the calendar year ending December 31, 2006.

Contributions Required and Contributions Made - MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2006 were determined using an attained age actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Annual Pension Cost Year Ended December 31,	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
2004	\$ 312,118	100%	-
2005	306,330	100%	-
2006	294,226	100%	-

Aggregate Accrued Liabilities - Comparative Schedule

Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2004	\$ 2,962,602	\$ 7,057,321	\$ 4,094,719	41%	\$ 1,752,568	233%
2005	3,314,073	7,085,690	3,771,617	47%	1,517,923	248%
2006	3,680,773	7,755,037	4,074,264	47%	1,422,368	286%

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value.

Actuarial assumptions for MERS valuations were revised for the 1993, 1997, 2000 and 2004 valuations. The funding method was changed to entry age normal for the 1993 valuation.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE L - AIRPORT HANGAR

A hangar was constructed at the Delta County Airport and is being jointly financed by Delta County, the cities of Escanaba and Gladstone, and the Escanaba Foundation. The hangar financing is in the form of a lease, with the County assuming ownership of the facility upon completion of the terms of the lease. The lease arrangements for the hangar specify a month-to-month lease with lease payments commencing the second year of the lease in the sum of \$1,761.99 per month plus \$.10 per square foot per annum rental for the land. The County receives the rental payments from the lessee and divides the proceeds with 44 percent to the County and 28 percent to each of the cities. The agreement calls for repayment only if the hangar is occupied. For the last several years there has been unoccupied.

NOTE M - FUND EQUITY DESIGNATIONS

- A. Fund equity has been designated in the General Fund for future payments to the retirement system in the amount of \$91,446.
- B. Fund equity has been designated in the County Road Patrol Fund for accrued sick and vacation time in the amount of \$269,692.
- C. Fund equity has been designated in the Donations Fund for donations made to the Sheriff's Department for \$114,747.

- D. Fund equity has been designated in the Capital Outlay Fund as follows:

Emergency equipment	\$	62,013
Sheriff grant vehicle		9,000
Courthouse computer		232,838
Probate court recorder		3,600
BOC recorder maintenance		1,902
Telephone maintenance		74,162
Capital projects		24,081
Prosecutor computer system		8,985
Sheriff computer grant		258
Capital outlay		230,276
Equipment repair		108,107
Jail construction project		30,686
Renaissance zone		17,947
Airport terminal project		(14,200)
Michigan Works building		(3,793)
Training		10,000
Total	\$	<u>795,862</u>

- E. Fund equity has been designated in the Service Center Construction Fund in the amount of \$25,071 for excess bond proceeds from the Building Authority Courthouse Renovation Project.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE N - CONTINGENT LIABILITIES

The County participates in a number of Federal and State assisted grant programs, principal of which are the Friend of Court and Prosecuting Attorney Cooperative Reimbursement programs, which are subject to financial and compliance audits. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts if any, to be immaterial.

NOTE O - RISK MANAGEMENT

The County of Delta participates as a member in the Michigan Municipal Risk Management Authority. The Authority is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the Authority is to administer a risk management fund, which provides members with loss protection for general and auto liability, motor vehicle physical damage, and property.

The Authority has entered into reinsurance agreements providing for loss coverage in excess of the amounts to be retained by the Authority and individual members. An individual member's maximum retention on general liability and auto liability is \$75,000. The limits on auto physical damage are \$15,000 per unit and \$30,000 per occurrence. The retention limits for property coverage are subject to a \$1,000 deductible with 10 percent of the first \$100,000 to be paid by the member. Some members have individual retention levels different than the ones previously stated.

In the event a reinsurance company does not meet its obligation to the Authority, responsibility for payment of any unreimbursed claims will be that of the Authority Reinsurance Fund.

The Authority has retained certain levels of risk rather than obtaining coverage through reinsurance agreements. The Authority established the Authority Reinsurance Fund in order to participate in the reinsurance agreements. Individual members are provided the same level of coverage previously afforded through a combination of the reinsurance agreements and the Reinsurance Fund.

In addition, the Authority purchases insurance for certain risks not covered by the reinsurance agreements.

At September 30, 2007, the County had no outstanding claims which exceeded the plan's limits and there has been no significant reduction in insurance coverage over the past three years.

NOTE P - TRANSIT AUTHORITY

The Delta Area Transit Authority was established during the Fall of 1989. Funding was secured through the Michigan Department of Transportation to operate the Authority. The County is the pass-through governmental agency for the monies flowing from the State of Michigan to the Authority.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE Q - JOINT VENTURE - DELTA SOLID WASTE LANDFILL

The Delta Solid Waste Management Authority was incorporated in 1984, pursuant to Act 233, Public Acts of Michigan, 1955, by the County of Delta and the local units of government within the County. It was established in order to provide for a new landfill since the current countywide site, owned by the City of Gladstone, was approaching saturation.

The Authority is governed by a seven-person Board of Directors, composed of three representatives of the participating townships, three representatives of the participating cities and one member of the Delta County Board of Commissioners. The three members of the Authority Board from the villages and townships will be selected by and from a body composed of one representative from each such township or village; the three board members from the cities shall be selected by and from a body composed of two representatives from each such city; and a member of the Delta County Board of Commissioners shall be chosen by said Board of Commissioners after review of recommendations by the Townships, Villages and City representatives. The Authority as described herein has no taxing power.

The landfill is constructed on land owned by the City of Escanaba and leased, through the County, to the Authority. Landfill construction costs were financed through the issuance of \$1,490,000 of revenue bonds by the County of Delta. The bonds were due in varying annual amounts through June 1, 1991. The County of Delta made its first annual payment of \$210,000 on May 1, 1985 with payments required through May 1, 1989. These payments were recorded as expenditures in the General Fund. The County does not capitalize its interest in the landfill as the County has no legal title to any assets of the landfill.

The following local governmental units are participants in the Authority; shown with their respective percentage shares in the Authority.

<u>Local Governmental Unit</u>	<u>Percentage Share</u>
Delta County	51.80%
City of Escanaba	18.60%
City of Gladstone	5.90%
Local Townships	23.70%
	<u>100.00%</u>

Operation and maintenance costs are paid out of tipping fees assessed against users of the landfill. Parties that use the landfill include the municipal sanitation systems of the cities of Escanaba and Gladstone, and private solid waste companies serving the other local units. The landfill began operation in December 1985. Financial information of the Delta Solid Waste Management Authority and Recycling Program is available at their administrative offices located at 5701 19th Avenue North, Escanaba, MI 49829.

COUNTY OF DELTA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE Q - JOINT VENTURE - DELTA SOLID WASTE LANDFILL (continued)

During the year ended September 30, 1999, the Delta Solid Waste Management Authority issued bonds in the amount of \$4,275,000 for the purpose of acquiring and constructing certain improvements at the existing landfill. The County is secondarily liable for the bonds and has pledged its limited tax full faith and credit for the payment of its contractual payments, and the County is obligated to pay such amounts from its general funds, including collections of ad valorem taxes on all taxable property within its boundaries, subject to applicable statutory and constitutional tax rate limitations. The estimated total current cost of the landfill closure and postclosure care is \$3,610,300 and is based on the amount that would be paid if all equipment, facilities and services required to close, monitor and maintain the landfill were acquired as of December 31, 2006. The County has signed an open letter of credit for the landfill postclosure costs.

NOTE R – RESTRICTED NET ASSETS

Total net assets which is restricted by enabling legislation amounted to \$2,978,934 for governmental activities and \$45,913 for business-type activities.

REQUIRED SUPPLEMENTAL INFORMATION

COUNTY OF DELTA, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended September 30, 2007

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 5,290,000	\$ 5,305,785	\$ 5,546,812	\$ 241,027
License and permits	6,000	6,000	1,540	(4,460)
Federal sources	570,110	609,225	613,642	4,417
State sources	838,750	899,033	787,502	(111,531)
Charges for services	1,191,675	1,380,537	1,292,381	(88,156)
Interest and rentals	184,000	262,603	260,172	(2,431)
Other	139,450	211,740	201,537	(10,203)
Total revenues	8,219,985	8,674,923	8,703,586	28,663
EXPENDITURES:				
Legislative:				
Board of commissioners	172,425	180,425	168,837	11,588
Judicial system:				
Circuit court	349,670	376,080	349,245	26,835
District court	707,470	778,354	753,794	24,560
Friend of court	745,300	781,571	734,115	47,456
Jury commission	8,800	8,800	2,377	6,423
Probate court	384,650	398,650	377,936	20,714
Probate court juvenile	142,000	144,516	130,566	13,950
General government:				
Elections	79,975	101,035	87,323	13,712
Clerk	170,600	182,425	175,972	6,453
Administration	172,350	194,350	185,590	8,760
Equalization	234,660	241,285	226,550	14,735
Prosecuting attorney	530,575	592,575	557,437	35,138
Register of deeds	110,625	117,625	111,682	5,943
Treasurer	216,775	228,775	216,596	12,179
Building maintenance	267,430	271,965	256,373	15,592
Drain commissioner	10,020	10,020	9,467	553
Plat board	240	240	80	160
Record copying	13,100	14,321	14,246	75
Health insurance and other benefits	21,000	351,840	324,639	27,201
Insurance and bonds	195,000	147,945	197,268	(49,323)
Professional fees	73,000	88,560	103,440	(14,880)
Equipment repair and equipment	31,500	33,000	31,542	1,458
Labor relations	15,000	6,552	10,293	(3,741)
Miscellaneous	12,900	38,400	12,149	26,251
Public safety				
Animal shelter	152,770	158,820	155,651	3,169
Sheriff administration	285,500	428,700	389,718	38,982
Sheriff marine	28,450	29,950	26,491	3,459
Sheriff corrections	1,339,825	1,493,560	1,425,015	68,545
Sheriff inmate work detail	18,125	20,902	20,944	(42)
Health and welfare:				
Medical examiner	34,500	34,500	26,183	8,317
Soldier burial	7,000	7,800	8,800	(1,000)
Veterans affair	13,600	13,860	15,094	(1,234)
Other	700	2,230	1,877	353
Recreation and culture:				
Extension service	151,280	155,780	154,645	1,135
Other - appropriations	625,244	532,503	1,167,230	(634,727)
Total expenditures	7,322,059	8,167,914	8,429,165	(261,251)
Excess revenues (expenditures)	897,926	507,009	274,421	(232,588)
OTHER FINANCING SOURCES (USES)				
Transfer in	798,045	1,538,545	801,101	(737,444)
Transfer out	(1,756,650)	(2,106,233)	(2,150,502)	(44,269)
Total other financing sources (uses)	(958,605)	(567,688)	(1,349,401)	(781,713)
Net changes in fund balances	(60,679)	(60,679)	(1,074,980)	(1,014,301)
Fund balances - beginning	3,275,637	3,275,637	3,275,637	-
Fund balances - ending	\$ 3,214,958	\$ 3,214,958	\$ 2,200,657	\$ (1,014,301)

COUNTY OF DELTA, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
REVENUE SHARING RESERVE
For the Year Ended September 30, 2007

	Budgeted Amounts Original	Final	Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
REVENUES:				
Taxes	\$ 1,522,753	\$ 1,522,753	\$ 1,522,753	\$ -
Interest and rentals	26,000	26,000	73,302	47,302
Total revenues	1,548,753	1,548,753	1,596,055	47,302
EXPENDITURES:				
General government	-	-	-	-
Excess revenues (expenditures)	1,548,753	1,548,753	1,596,055	-
OTHER FINANCING SOURCES (USES):				
Transfer out	(747,765)	(747,765)	(747,765)	-
Net changes in fund balances	800,988	800,988	848,290	-
Fund balances - beginning	1,508,426	1,508,426	1,508,426	-
Fund balances - ending	\$ 2,309,414	\$ 2,309,414	\$ 2,356,716	\$ -

COMBINING FUND FINANCIAL STATEMENTS

COUNTY OF DELTA, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2007

	Special Revenue Funds			
	Road Patrol	County Parks	Jail/Out of County Prisoner	Friend of Court
ASSETS				
Cash and equivalents:				
Unrestricted	\$ 400,770	\$ 29,936	\$ 3,457	\$ 213,172
Receivables:				
Accounts	-	-	-	-
Due from other funds	6,715	-	-	-
Due from State of Michigan	-	-	-	-
Prepaid expense	-	-	-	-
Total assets	<u>\$ 407,485</u>	<u>\$ 29,936</u>	<u>\$ 3,457</u>	<u>\$ 213,172</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 3,123	\$ -	\$ -
Due to other funds	-	-	-	-
Due to other governmental units	-	-	-	-
Accrued payroll and related liabilities	22,082	1,578	-	-
Total liabilities	<u>22,082</u>	<u>4,701</u>	<u>-</u>	<u>-</u>
Fund balances:				
Unreserved:				
Designated	269,692	-	-	-
Undesignated	115,711	25,235	3,457	213,172
Total fund balances	<u>385,403</u>	<u>25,235</u>	<u>3,457</u>	<u>213,172</u>
Total liabilities and fund balances	<u>\$ 407,485</u>	<u>\$ 29,936</u>	<u>\$ 3,457</u>	<u>\$ 213,172</u>

See accompanying notes to financial statements.

Special Revenue Funds

Circuit Court Counseling	Community Action	Hannahville Funding	Donations	Building and Zoning	Drug Enforcement	County Survey
\$ 82,014	\$ 7,379	\$ 48,019	\$ 114,747	\$ (43,380)	\$ (10,207)	\$ 78,509
-	-	-	-	-	-	-
-	3,283	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 82,014</u>	<u>\$ 10,662</u>	<u>\$ 48,019</u>	<u>\$ 114,747</u>	<u>\$ (43,380)</u>	<u>\$ (10,207)</u>	<u>\$ 78,509</u>
\$ -	\$ -	\$ -	\$ -	\$ 2,242	\$ -	\$ 217
-	1,789	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	5,152	1,925	-
-	1,789	-	-	7,394	1,925	217
-	-	-	114,747	-	-	-
<u>82,014</u>	<u>8,873</u>	<u>48,019</u>	<u>-</u>	<u>(50,774)</u>	<u>(12,132)</u>	<u>78,292</u>
<u>82,014</u>	<u>8,873</u>	<u>48,019</u>	<u>114,747</u>	<u>(50,774)</u>	<u>(12,132)</u>	<u>78,292</u>
<u>\$ 82,014</u>	<u>\$ 10,662</u>	<u>\$ 48,019</u>	<u>\$ 114,747</u>	<u>\$ (43,380)</u>	<u>\$ (10,207)</u>	<u>\$ 78,509</u>

**COUNTY OF DELTA, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2007**

	Special Revenue Funds			
	R.O.D. Automation	Law Library	CDBG Housing	Training
ASSETS				
Cash and equivalents:				
Unrestricted	\$ 9,792	\$ 5,356	\$ -	\$ 25,887
Receivables:				
Accounts	-	-	-	-
Due from other funds	-	-	-	-
Due from State of Michigan	-	-	-	-
Prepaid expense	-	-	-	-
Total assets	<u>\$ 9,792</u>	<u>\$ 5,356</u>	<u>\$ -</u>	<u>\$ 25,887</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 739	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Due to other governmental units	-	-	-	-
Accrued payroll and related liabilities	-	-	-	-
Total liabilities	<u>739</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Unreserved:				
Designated	-	-	-	-
Undesignated	9,053	5,356	-	25,887
Total fund balances	<u>9,053</u>	<u>5,356</u>	<u>-</u>	<u>25,887</u>
Total liabilities and fund balances	<u>\$ 9,792</u>	<u>\$ 5,356</u>	<u>\$ -</u>	<u>\$ 25,887</u>

See accompanying notes to financial statements.

Special Revenue Funds						
DNA Fund	Soldiers and Sailors	Veterans Trust	Co-Probation	Juvenile Drug Grant	Child Care	Capital Outlay
\$ 1,559	\$ 8,328	\$ 1,012	\$ (46,334)	\$ (47,594)	\$ 803,699	\$ 795,862
-	-	-	10,686	-	-	-
-	-	-	-	-	-	-
-	-	-	-	2,829	13,690	-
-	-	-	-	-	-	-
<u>\$ 1,559</u>	<u>\$ 8,328</u>	<u>\$ 1,012</u>	<u>\$ (35,648)</u>	<u>\$ (44,765)</u>	<u>\$ 817,389</u>	<u>\$ 795,862</u>
\$ -	\$ -	\$ -	\$ 8,600	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	3,451	2,869	6,011	-
-	-	-	12,051	2,869	6,011	-
-	-	-	-	-	-	795,862
<u>1,559</u>	<u>8,328</u>	<u>1,012</u>	<u>(47,699)</u>	<u>(47,634)</u>	<u>811,378</u>	<u>-</u>
<u>1,559</u>	<u>8,328</u>	<u>1,012</u>	<u>(47,699)</u>	<u>(47,634)</u>	<u>811,378</u>	<u>795,862</u>
<u>\$ 1,559</u>	<u>\$ 8,328</u>	<u>\$ 1,012</u>	<u>\$ (35,648)</u>	<u>\$ (44,765)</u>	<u>\$ 817,389</u>	<u>\$ 795,862</u>

**COUNTY OF DELTA, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2007**

	Special Revenue			Debt Service
	Summer Tax	Library Penal Fines	Homestead P.A. 105	Courthouse Renovation
ASSETS				
Cash and equivalents:				
Unrestricted	\$ 16,130	\$ 73,146	\$ 17,177	\$ 17,084
Receivables:				
Accounts	-	-	-	-
Due from other funds	-	-	-	-
Due from State of Michigan	-	-	-	-
Prepaid expense	-	-	-	-
Total assets	<u>\$ 16,130</u>	<u>\$ 73,146</u>	<u>\$ 17,177</u>	<u>\$ 17,084</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Due to other governmental units	1,196	-	-	-
Accrued payroll and related liabilities	-	-	-	-
Total liabilities	<u>1,196</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Unreserved:				
Designated	-	-	-	-
Undesignated	14,934	73,146	17,177	17,084
Total fund balances	<u>14,934</u>	<u>73,146</u>	<u>17,177</u>	<u>17,084</u>
Total liabilities and fund balances	<u>\$ 16,130</u>	<u>\$ 73,146</u>	<u>\$ 17,177</u>	<u>\$ 17,084</u>

See accompanying notes to financial statements.

Debt Service	Capital Project Funds				Total Nonmajor Governmental Funds
Service Center Debt	Service Center Construction	PFC Airport Improvement	Airport Improvement	Renaissance Zone	
\$ 37,771	\$ 126,281	\$ 56,810	\$ 103,178	\$ (157,422)	\$ 2,772,138
-	-	-	-	179,020	189,706
-	-	-	-	-	9,998
-	-	-	-	-	16,519
-	-	-	-	-	-
<u>\$ 37,771</u>	<u>\$ 126,281</u>	<u>\$ 56,810</u>	<u>\$ 103,178</u>	<u>\$ 21,598</u>	<u>\$ 2,988,361</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,921
-	-	-	-	-	1,789
-	-	-	-	-	1,196
-	-	-	-	-	43,068
-	-	-	-	-	60,974
-	25,071	-	-	-	1,205,372
37,771	101,210	56,810	103,178	21,598	1,722,015
37,771	126,281	56,810	103,178	21,598	2,927,387
<u>\$ 37,771</u>	<u>\$ 126,281</u>	<u>\$ 56,810</u>	<u>\$ 103,178</u>	<u>\$ 21,598</u>	<u>\$ 2,988,361</u>

COUNTY OF DELTA, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended September 30, 2007

	Special Revenue Funds			
	Road Patrol	County Parks	Jail/Out of County Prisoner	Friend of Court
REVENUES:				
Taxes	\$ 871,941	\$ -	\$ -	\$ -
License and permits	-	-	-	-
Federal sources	41,646	-	-	-
State sources	234,626	-	-	10,369
Local sources	40,102	-	-	1,680
Charges for services	-	74,840	-	-
Interest and rentals	-	-	-	-
Other	3,961	37,056	-	-
Total revenues	1,192,276	111,896	-	12,049
EXPENDITURES:				
Judicial system	-	-	-	-
General government	-	-	-	-
Public safety	1,117,445	-	-	-
Health and welfare	-	-	-	-
Recreation and culture	-	135,195	-	-
Capital outlay	108,026	22,477	21,944	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total expenditures	1,225,471	157,672	21,944	-
Excess revenues (expenditures)	(33,195)	(45,776)	(21,944)	12,049
OTHER FINANCING SOURCES (USES):				
Transfer in	-	64,273	-	-
Transfer out	(38,666)	-	(48,056)	-
Total other financing sources (uses)	(38,666)	64,273	(48,056)	-
Net changes in fund balance	(71,861)	18,497	(70,000)	12,049
Fund balances - beginning	457,264	6,738	73,457	201,123
Fund balances - ending	\$ 385,403	\$ 25,235	\$ 3,457	\$ 213,172

See accompanying notes to financial statements.

Special Revenue Funds

Circuit Court Counseling	Community Action	Hannahville Funding	Donations	Building and Zoning	Drug Enforcement	County Survey
\$ -	\$ 544,245	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	187,718	-	-
-	-	-	-	-	32,323	-
-	9,581	-	-	-	-	129,762
3,780	-	-	121,726	-	-	14,975
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	10,550	-	-
3,780	553,826	-	121,726	198,268	32,323	144,737
290	-	-	-	-	-	-
-	-	-	-	274,036	-	178,276
-	-	-	103,420	-	87,190	-
-	545,750	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
290	545,750	-	103,420	274,036	87,190	178,276
3,490	8,076	-	18,306	(75,768)	(54,867)	(33,539)
-	-	-	-	136,523	38,666	-
-	-	-	-	(6)	-	-
-	-	-	-	136,517	38,666	-
3,490	8,076	-	18,306	60,749	(16,201)	(33,539)
78,524	797	48,019	96,441	(111,523)	4,069	111,831
\$ 82,014	\$ 8,873	\$ 48,019	\$ 114,747	\$ (50,774)	\$ (12,132)	\$ 78,292

COUNTY OF DELTA, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended September 30, 2007

	Special Revenue Funds			
	R.O.D. Automation	Law Library	CDBG Housing	Training
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-
Federal sources	-	-	18,163	-
State sources	-	-	-	-
Local sources	-	-	-	8,940
Charges for services	42,604	-	-	-
Interest and rentals	-	-	-	-
Other	-	184	-	-
Total revenues	42,604	184	18,163	8,940
EXPENDITURES:				
Judicial system	-	26,740	-	-
General government	69,444	-	-	-
Public safety	-	-	-	10,842
Health and welfare	-	-	18,163	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total expenditures	69,444	26,740	18,163	10,842
Excess revenues (expenditures)	(26,840)	(26,556)	-	(1,902)
OTHER FINANCING SOURCES (USES):				
Transfer in	-	21,000	-	-
Transfer out	-	-	-	-
Total other financing sources (uses)	-	21,000	-	-
Net changes in fund balance	(26,840)	(5,556)	-	(1,902)
Fund balances - beginning	35,893	10,912	-	27,789
Fund balances - ending	\$ 9,053	\$ 5,356	\$ -	\$ 25,887

See accompanying notes to financial statements.

Special Revenue Funds

DNA Fund	Soldiers and Sailors	Veterans Trust	Co-Probation	Juvenile Drug Grant	Child Care	Capital Outlay
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	79,280	12,131	-	-
-	-	959	7,817	805	103,057	-
-	-	-	-	-	-	101,827
-	-	-	-	-	39,412	-
-	-	-	-	-	-	-
-	-	-	-	-	-	19,159
-	-	959	87,097	12,936	142,469	120,986
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	768	134,796	60,570	284,946	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	768	134,796	60,570	284,946	-
-	-	191	(47,699)	(47,634)	(142,477)	120,986
-	350	-	61,253	8,366	350,000	20,000
-	-	-	-	-	(69,619)	-
-	350	-	61,253	8,366	280,381	20,000
-	350	191	13,554	(39,268)	137,904	140,986
1,559	7,978	821	(61,253)	(8,366)	673,474	654,876
\$ 1,559	\$ 8,328	\$ 1,012	\$ (47,699)	\$ (47,634)	\$ 811,378	\$ 795,862

COUNTY OF DELTA, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended September 30, 2007

	Special Revenue			Debt Service
	Summer Tax	Library Penal Fines	Homestead P.A. 105	Courthouse Renovation
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-
Federal sources	-	-	-	-
State sources	3,060	-	-	-
Local sources	-	-	37,833	-
Charges for services	3,357	-	-	-
Interest and rentals	-	-	1,072	-
Other	-	262,681	-	-
Total revenues	6,417	262,681	38,905	-
EXPENDITURES:				
Judicial system	-	-	-	-
General government	3,228	-	21,728	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Recreation and culture	-	246,994	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	195,000
Interest	-	-	-	154,500
Other	-	-	-	-
Total expenditures	3,228	246,994	21,728	349,500
Excess revenues (expenditures)	3,189	15,687	17,177	(349,500)
OTHER FINANCING SOURCES (USES):				
Transfer in	-	-	-	349,500
Transfer out	-	(4,500)	-	-
Total other financing sources (uses)	-	(4,500)	-	349,500
Net changes in fund balance	3,189	11,187	17,177	-
Fund balances - beginning	11,745	61,959	-	17,084
Fund balances - ending	\$ 14,934	\$ 73,146	\$ 17,177	\$ 17,084

See accompanying notes to financial statements.

Debt Service	Capital Project Funds				Total Nonmajor Governmental Funds
Service Center Debt	Service Center Construction	PFC Airport Improvement	Airport Improvement	Renaissance Zone	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,416,186
-	-	-	-	-	187,718
-	-	-	-	-	183,543
-	-	-	56,922	-	556,958
-	-	-	-	-	330,863
-	-	-	-	-	160,213
-	3,728	-	-	-	4,800
-	-	36,249	23,950	-	393,790
-	3,728	36,249	80,872	-	3,234,071
-	-	-	-	-	27,030
-	-	-	-	-	546,712
-	-	-	-	-	1,318,897
-	-	-	-	-	1,044,993
-	-	-	-	-	382,189
-	-	-	7,500	2,402	162,349
135,000	-	-	-	-	330,000
56,550	-	-	-	-	211,050
400	-	-	-	-	400
191,950	-	-	7,500	2,402	4,023,620
(191,950)	3,728	36,249	73,372	(2,402)	(789,549)
198,565	-	-	-	239,862	1,488,358
-	-	-	-	-	(160,847)
198,565	-	-	-	239,862	1,327,511
6,615	3,728	36,249	73,372	237,460	537,962
31,156	122,553	20,561	29,806	(215,862)	2,389,425
\$ 37,771	\$ 126,281	\$ 56,810	\$ 103,178	\$ 21,598	\$ 2,927,387

COUNTY OF DELTA, MICHIGAN
COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS
September 30, 2007

	<u>P.A. 123 Foreclosure</u>	<u>Jail Commissary</u>	<u>Tax Revolving Administration</u>	<u>Tax Revolving 2000</u>
ASSETS				
Current assets:				
Cash and cash equivalents				
Unrestricted	\$ 47,011	\$ 44,099	\$ 28,157	\$ -
Investments	-	-	-	-
Receivables:				
Current taxes	-	-	-	-
Interest	-	-	-	783
Total current assets	<u>47,011</u>	<u>44,099</u>	<u>28,157</u>	<u>783</u>
Noncurrent assets:				
Delinquent taxes	-	-	-	1,143
Total assets	<u>\$ 47,011</u>	<u>\$ 44,099</u>	<u>\$ 28,157</u>	<u>\$ 1,926</u>
LIABILITIES				
Current liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NET ASSETS				
Unrestricted	<u>47,011</u>	<u>44,099</u>	<u>28,157</u>	<u>1,926</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 47,011</u></u>	<u><u>\$ 44,099</u></u>	<u><u>\$ 28,157</u></u>	<u><u>\$ 1,926</u></u>

See accompanying notes to financial statements.

<u>Tax Revolving 2001</u>	<u>Tax Revolving 2002</u>	<u>Tax Revolving 2003</u>	<u>Tax Revolving 2004</u>	<u>Tax Revolving 2005</u>	<u>Total Nonmajor Proprietary Funds</u>
\$ -	\$ 331,717	\$ 336,558	\$ 287,178	\$ 119,311	\$ 1,194,031
-	-	-	-	-	-
-	-	-	-	-	-
<u>3,161</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,657</u>	<u>45,601</u>
<u>3,161</u>	<u>331,717</u>	<u>336,558</u>	<u>287,178</u>	<u>160,968</u>	<u>1,239,632</u>
<u>9,224</u>	<u>1,986</u>	<u>3,044</u>	<u>2,494</u>	<u>146,163</u>	<u>164,054</u>
<u>\$ 12,385</u>	<u>\$ 333,703</u>	<u>\$ 339,602</u>	<u>\$ 289,672</u>	<u>\$ 307,131</u>	<u>\$ 1,403,686</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>12,385</u>	<u>333,703</u>	<u>339,602</u>	<u>289,672</u>	<u>307,131</u>	<u>1,403,686</u>
<u>\$ 12,385</u>	<u>\$ 333,703</u>	<u>\$ 339,602</u>	<u>\$ 289,672</u>	<u>\$ 307,131</u>	<u>\$ 1,403,686</u>

COUNTY OF DELTA, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
NONMAJOR PROPRIETARY FUNDS
For the Year Ended September 30, 2007

	P.A. 123 Foreclosure	Jail Commissary	Tax Revolving Administration	Tax Revolving 2000
OPERATING REVENUES:				
Charges for services	\$ 45,679	\$ 26,833	\$ -	\$ -
Rental and interest income	-	-	-	-
Miscellaneous	-	-	-	-
Total operating revenue	<u>45,679</u>	<u>26,833</u>	<u>-</u>	<u>-</u>
OPERATING EXPENSES:				
Supplies	-	9,237	13,786	-
Contracted services	-	-	-	-
Recording fees	-	-	-	-
Total operating expenses	<u>-</u>	<u>9,237</u>	<u>13,786</u>	<u>-</u>
Operating income (loss)	<u>45,679</u>	<u>17,596</u>	<u>(13,786)</u>	<u>-</u>
NONOPERATING REVENUES (EXPENSES):				
Transfer in	-	-	12,057	-
Transfer out	-	-	(5,280)	-
Total nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>6,777</u>	<u>-</u>
Change in net assets	45,679	17,596	(7,009)	-
Total net assets - beginning	<u>1,332</u>	<u>26,503</u>	<u>35,166</u>	<u>1,926</u>
Total net assets - ending	<u>\$ 47,011</u>	<u>\$ 44,099</u>	<u>\$ 28,157</u>	<u>\$ 1,926</u>

See accompanying notes to financial statements.

Tax Revolving 2001	Tax Revolving 2002	Tax Revolving 2003	Tax Revolving 2004	Tax Revolving 2005	Total Nonmajor Proprietary Funds
\$ -	\$ -		\$ 23,884	\$ 47,344	\$ 143,740
-	10,691	8,069	5,972	109,897	134,629
-	49	16	4,474	28,663	33,202
-	10,740	8,085	34,330	185,904	311,571
-	-	-	857	3,281	27,161
-	-	-	9,444	17,984	27,428
-	-	-	2,400	1,030	3,430
-	-	-	12,701	22,295	58,019
-	10,740	8,085	21,629	163,609	253,552
-	-	-	-	-	12,057
-	(67)	(2,732)	(4,046)	(1,479,998)	(1,492,123)
-	(67)	(2,732)	(4,046)	(1,479,998)	(1,480,066)
-	10,673	5,353	17,583	(1,316,389)	(1,226,514)
12,385	323,030	334,249	272,089	1,623,520	2,630,200
<u>\$ 12,385</u>	<u>\$ 333,703</u>	<u>\$ 339,602</u>	<u>\$ 289,672</u>	<u>\$ 307,131</u>	<u>\$ 1,403,686</u>

COUNTY OF DELTA, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
For the Year Ended September 30, 2007

	P.A. 123 Foreclosure	Jail Commissary	Tax Revolving Administration	Tax Revolving 2000
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 45,679	\$ 26,833	\$ -	\$ -
Receipts from interest and rents	-	-	-	-
Cash received for collection of taxes	-	-	-	-
Payments to suppliers	-	(9,237)	(13,786)	-
	<u>45,679</u>	<u>17,596</u>	<u>(13,786)</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>45,679</u>	<u>17,596</u>	<u>(13,786)</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer in	-	-	12,057	-
Transfer out	-	-	(5,280)	-
	<u>-</u>	<u>-</u>	<u>6,777</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>6,777</u>	<u>-</u>
Net increase (decrease) in cash and equivalents	45,679	17,596	(7,009)	-
Cash and equivalents, beginning of year	<u>1,332</u>	<u>26,503</u>	<u>35,166</u>	<u>-</u>
Cash and equivalents, end of year	<u>\$ 47,011</u>	<u>\$ 44,099</u>	<u>\$ 28,157</u>	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	<u>\$ 45,679</u>	<u>\$ 17,596</u>	<u>\$ (13,786)</u>	<u>\$ -</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Changes in assets and liabilities:				
(Increase) decrease in receivables	-	-	-	-
Increase (decrease) in accounts payable	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 45,679</u>	<u>\$ 17,596</u>	<u>\$ (13,786)</u>	<u>\$ -</u>

See accompanying notes to financial statements.

Tax Revolving 2001	Tax Revolving 2002	Tax Revolving 2003	Tax Revolving 2004	Tax Revolving 2005	Total Nonmajor Proprietary Funds
\$ -	\$ -	\$ -	\$ 23,884	\$ 47,344	\$ 143,740
-	11,587	8,188	38,691	129,033	187,499
-	-	-	116,785	750,981	867,766
-	-	-	(12,701)	(22,295)	(58,019)
-	11,587	8,188	166,659	905,063	1,140,986
-	-	-	-	-	12,057
-	(67)	(2,732)	(4,046)	(1,479,998)	(1,492,123)
-	(67)	(2,732)	(4,046)	(1,479,998)	(1,480,066)
-	11,520	5,456	162,613	(574,935)	(339,080)
-	320,197	331,102	124,565	694,246	1,533,111
<u>\$ -</u>	<u>\$ 331,717</u>	<u>\$ 336,558</u>	<u>\$ 287,178</u>	<u>\$ 119,311</u>	<u>\$ 1,194,031</u>
\$ -	\$ 10,740	\$ 8,085	\$ 21,629	\$ 163,609	\$ 253,552
-	847	103	145,030	741,454	887,434
-	-	-	-	-	-
-	847	103	145,030	741,454	887,434
<u>\$ -</u>	<u>\$ 11,587</u>	<u>\$ 8,188</u>	<u>\$ 166,659</u>	<u>\$ 905,063</u>	<u>\$ 1,140,986</u>

COUNTY OF DELTA, MICHIGAN
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
September 30, 2007

	Termination/ Sick Leave	Residual Equity Transfer	Service Center	Total Internal Service Funds
ASSETS				
Current assets:				
Cash and cash equivalents				
Unrestricted	\$ 178,903	\$ 3,562,642	\$ 530,510	\$ 4,272,055
Investments	-	2,047,515	-	2,047,515
Receivables:				
Accounts	-	-	-	-
Notes receivable	-	139,265	-	139,265
Due from other funds	-	494,057	-	494,057
Total assets	<u>\$ 178,903</u>	<u>\$ 6,243,479</u>	<u>\$ 530,510</u>	<u>\$ 6,952,892</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ -	\$ -	\$ 27,727	\$ 27,727
Accrued payroll	-	-	8,744	8,744
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>36,471</u>	<u>36,471</u>
NET ASSETS				
Unrestricted	<u>178,903</u>	<u>6,243,479</u>	<u>494,039</u>	<u>6,916,421</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 178,903</u></u>	<u><u>\$ 6,243,479</u></u>	<u><u>\$ 530,510</u></u>	<u><u>\$ 6,952,892</u></u>

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
For the Year Ended September 30, 2007

	Termination/ Sick Leave	Residual Equity Transfer	Service Center	Total Internal Service Funds
OPERATING REVENUES:				
Rental and interest income	\$ -	\$ 29,341	\$ 700,650	\$ 729,991
Miscellaneous	-	29,783	116	29,899
Total operating revenue	-	59,124	700,766	759,890
OPERATING EXPENSES:				
Salaries and fringes	43,928	-	400,131	444,059
Supplies	-	1,041	51,480	52,521
Contracted services	-	-	8,509	8,509
Repairs and maintenance	-	-	31,903	31,903
Utilities	-	-	68,933	68,933
Total operating expenses	43,928	1,041	560,956	605,925
Operating income (loss)	(43,928)	58,083	139,810	153,965
NONOPERATING REVENUES (EXPENSES):				
Interest income	-	237,811	-	237,811
Income (loss) before transfers and contributions	(43,928)	295,894	139,810	391,776
Transfer in	77,928	1,475,000	-	1,552,928
Transfer out	-	(1,545,000)	(198,565)	(1,743,565)
Change in net assets	34,000	225,894	(58,755)	201,139
Total net assets - beginning	144,903	6,017,585	552,794	6,715,282
Total net assets - ending	\$ 178,903	\$ 6,243,479	\$ 494,039	\$ 6,916,421

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended September 30, 2007

	Termination/ Sick Leave	Residual Equity Transfer	Service Center	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from interest and rents	\$ -	\$ 195,697	\$ 716,391	\$ 912,088
Payments to suppliers	-	(1,041)	(137,944)	(138,985)
Payments for wages and related benefits	(75,006)	-	(399,899)	(474,905)
Net cash provided (used) by operating activities	(75,006)	194,656	178,548	298,198
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer in	77,928	1,475,000	-	1,552,928
Transfer out	-	(1,545,000)	(198,565)	(1,743,565)
Net cash provided (used) by noncapital financing activities	77,928	(70,000)	(198,565)	(190,637)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest earnings	-	237,811	-	237,811
Net increase (decrease) in cash and equivalents	2,922	362,467	(20,017)	345,372
Cash and equivalents, beginning of year	175,981	5,247,690	550,527	5,974,198
Cash and equivalents, end of year	\$ 178,903	\$ 5,610,157	\$ 530,510	\$ 6,319,570
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (43,928)	\$ 58,083	\$ 139,810	\$ 153,965
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Changes in assets and liabilities:				
(Increase) decrease in receivables	-	88,517	15,625	104,142
(Increase) decrease in due from other funds	(31,078)	48,056	-	16,978
Increase (decrease) in accounts payable	-	-	22,881	22,881
Increase (decrease) in accrued payroll	-	-	232	232
Total adjustments	(31,078)	136,573	38,738	144,233
Net cash provided by operating activities	\$ (75,006)	\$ 194,656	\$ 178,548	\$ 298,198

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
September 30, 2007

	General Trust and Agency	Crime Victim Restitution	Friend of Court Trust	District Court Trust
ASSETS				
Cash and cash equivalents:				
Unrestricted	\$ 3,916,330	\$ 771	\$ 1,230	\$ 61,517
Due from other funds	-	-	-	-
Total assets	<u>3,916,330</u>	<u>771</u>	<u>1,230</u>	<u>61,517</u>
LIABILITIES				
Due to other funds			-	-
Due to other units governmental units	255,835	-	-	-
Undistributed taxes	2,876,626	-	-	-
Other liabilities	<u>783,869</u>	<u>771</u>	<u>1,230</u>	<u>61,517</u>
Total liabilities	<u>\$ 3,916,330</u>	<u>\$ 771</u>	<u>\$ 1,230</u>	<u>\$ 61,517</u>

See accompanying notes to financial statements.

Sheriff Inmate Trust		Totals
\$	2,972	\$ 3,982,820
	-	-
	2,972	3,982,820
	-	-
	-	255,835
	-	2,876,626
	2,972	850,359
\$	2,972	\$ 3,982,820

SINGLE AUDIT



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA
Laura L. Schwalbach, CPA

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Commissioners
County of Delta
Escanaba, MI 49829

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Delta Michigan as of and for the year ended September 30, 2007, which collectively comprise the County of Delta, Michigan's basic financial statements and have issued our report thereon dated May 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Delta, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Delta, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Delta, Michigan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County of Delta, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County of Delta, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the County of Delta, Michigan's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. These deficiencies are referenced as 2007-2 and 2007-3.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County of Delta, Michigan's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider significant deficiency 2007-2 and 2007-3 to be material weaknesses.

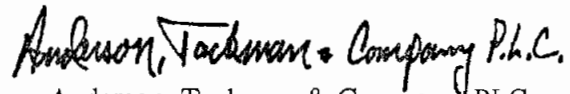
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Delta, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2007-1.

We also noted certain other matters that we reported to management of the County of Delta, Michigan in a separate letter dated May 22, 2008.

The County of Delta, Michigan's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County of Delta, Michigan's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the County Board of Commissioners, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Anderson, Tackman & Company, PLC
Certified Public Accountants

May 22, 2008



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

Kristine P. Berhow, CPA, Principal
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Erkki M. Peippo, CPA, PC, Principal

OFFICES IN MICHIGAN AND WISCONSIN

Kevin C. Pascoe, CPA
Laura L. Schwalbach, CPA

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Members of the Board of Commissioners
County of Delta
Escanaba, MI 49829

Compliance

We have audited the compliance of the County of Delta, Michigan, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007. County of Delta, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of Delta, Michigan's management. Our responsibility is to express an opinion on the County of Delta, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Delta, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County of Delta, Michigan's compliance with those requirements.

In our opinion, the County of Delta, Michigan, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

Internal Control Over Compliance

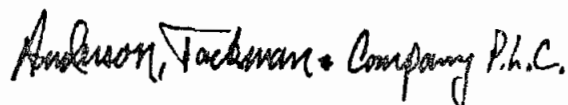
The management of the County of Delta, Michigan, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County of Delta, Michigan's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Delta, Michigan's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the County Board, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

May 22, 2008

COUNTY OF DELTA, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2007

<u>Federal grantor/pass-through/program title</u>	<u>Federal CFDA Number</u>	<u>Agency or pass-through number</u>	<u>Federal Expenditures</u>
U.S. Department of Justice:			
Passed through the Michigan State Police:			
Enforcing Underage Drinking Laws Program	16.727	PT-07-26	\$ 12,498
Passed through the State of Michigan			
Department of Community Health:			
Byrne Memorial Formula Grant	16.738	2006-DJ-BX-0029	33,948
Passed through State of Michigan Family			
Independence Agency:			
Juvenile Accountability Incentive Grant	16.523	JABGN 07-21001	7,749
Juvenile Accountability Incentive Grant	16.523	JABGN 06-21001	4,382
Total U.S. Department of Justice			<u>58,577</u>
U.S. Department of Health and Human Services:			
Passed through State of Michigan Family			
Independence Agency:			
Child Support Enforcement	93.563	CS/COM-07-21003	490,005
Friend of Court - Federal Incentives	93.563	-	112,211
TANF	93.558	DEL-06-21001	54,703
Promoting Safe and Stable Families	93.556	DEL-06-21001	24,577
Passed through the State of Michigan			
Department of Community Health:			
Childhood Immunization Grants	93.268	20070323	386,064
Maternal and Child Health Service Grant	93.994	20070323	79,586
Medical Assistance Program	93.778	20070323	14,132
Center for Disease Control Prevention			
Investigative Technical Assistance	93.283	20070323	283,862
Family Planning Services	93.217	20070323	96,625
Passed through Pathways:			
Substance Abuse Prevention & Treatment	93.959	-	<u>162,555</u>
Total U.S. Department of Health			
and Human Services			<u>1,704,320</u>
U.S. Environmental Protection Agency:			
Passed through Michigan Department			
of Environmental Quality:			
Operator Certification Expense Reimb.	66.471	-	6,600
CAP Grant for Drinking Water Revolving	66.468	-	750
Beach Monitoring & Notification	66.472	-	5,290
Total U.S. Environmental Protection Agency			<u>\$ 12,640</u>

See accompanying notes to the schedule of expenditures of federal awards.

COUNTY OF DELTA, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2007

<u>Federal grantor/pass-through/program title</u>	<u>Federal CFDA Number</u>	<u>Agency or pass-through number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development: Passed through Michigan State Housing Development Authority: Community Development Block Grant	14.228	MSC-2007-735-HOA	\$ 18,163
U.S. Department of Education: Passed through Michigan Department of Community Health: Drug-Free Schools and Local Prog	84.168B	-	26,584
U.S. Department of Agriculture: Passed through Michigan Department of Natural Resources: Schools & Roads Grants to States	10.665	-	237,000
Passed through Michigan Department of Community Health: Special Supplemental Food Program for Women, Infants and Children	10.557	20070332	212,457
Total U.S. Department of Agriculture			449,457
U.S. Department of Transportation: Passed through Michigan State Police: Alcohol Traffic Safety	20.601	AL-07-18	7,494
U.S. Department of Homeland Security: Passed through Michigan State Police: Emergency Management Performance Hazardous Mitigation Grant	97.042 97.039	-	9,559 1,867
Passed through Houghton County: Homeland Security Grant	97.067	-	2,606
Passed through Michigan DNR: Boating Safety Financial Assistance	97.012	-	21,654
Total U.S. Department of Homeland Security			35,686
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,312,921

See accompanying notes to the schedule of expenditures of federal awards.

COUNTY OF DELTA, MICHIGAN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2007

NOTE A – OVERSIGHT AGENCY

The U.S. Department of Health and Human Services is the current year's oversight agency for single audit as determined by the agency providing the largest share of indirect federal financial assistance. There was no direct federal funding in 2007.

NOTE B – BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards has been prepared on the modified accrual basis of accounting.

NOTE C – PASS-THROUGH GRANT MONIES

During 2007, the County acted as a pass-through agent, receiving \$18,163 in CDBG monies which was passed through to the Community Action Agency. The Community Action Agency was audited by other auditors.

NOTE D – PASS-THROUGH GRANTOR'S OR PROGRAM NUMBERS

The pass-through grantor's number represents the County's provider I.D. number. Such other I.D. numbers were not available or provided by the State administering agencies.

NOTE E – FEDERAL REVENUE RECONCILIATION

Federal revenue per governmental fund financial statements	\$ 797,185
Federal expenditures per schedule of expenditures of federal award	<u>2,312,921</u>
Difference	(1,515,736)
Reconciling items:	
Federal revenues reported in the component units which are included on the schedule of expenditures of federal awards:	
District Health Department	1,274,505
Expenditures reported on the schedule of expenditures of federal in the current year which were not recorded as revenue in the current year. (CFDA #10.665 for \$237,000; CFDA #97.067 for \$2,606; CFDA #16.738 for \$1,625)	
	<u>241,231</u>
Reconciled difference	<u><u>\$ -</u></u>

COUNTY OF DELTA, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2007

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the County of Delta, Michigan.
2. There were two significant deficiencies which were determined to be material weaknesses disclosed during the audit of the basic financial statements to be reported in the *Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
3. There were no instances of noncompliance material to the basic financial statements of the County of Delta, Michigan disclosed during the audit. However noncompliance was disclosed and is referenced as 2007-1.
4. There were no significant deficiencies or material weaknesses disclosed during the audit of the major federal programs to be reported in the *Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133*.
5. The auditor's report on compliance for the major federal programs for the County of Delta, Michigan expresses an unqualified opinion.
6. There were no findings noted relative to the major federal programs for the County of Delta.
7. The programs tested as major programs included:
 - Child Support Enforcement CFDA #93.563
8. The threshold for distinguishing Type A & B programs was \$300,000.
9. The County of Delta, Michigan was determined to be a low-risk auditee.

COUNTY OF DELTA, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2007

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2007-1: Budget Noncompliance

Statement of Condition/Criteria: Public Act 621 of 1978 requires that expenditures cannot be incurred until appropriated in accordance with the Uniform Budgeting and Accounting Act. During the fiscal year ended September 30, 2007, the County incurred expenditures in excess of amounts appropriated as follows:

	Total Appropriation	Expenditures	Budget Variance
General Fund	\$ 10,274,147	\$ 10,579,667	\$ (305,520)
Jail/Out of County Prisoner	5,000	70,000	(65,000)
Drug Enforcement	79,298	87,190	(7,892)
Homestead PA 105	16,615	21,728	(5,113)
R.O.D. Automation	40,000	69,444	(29,444)
CDBG Housing	-	18,163	(18,163)
Juvenile Drug Grant	48,827	60,570	(11,743)

Effect: The County has not complied with various State statutes.

Cause of Condition: Budget amendments were not made prior to the expenditure of funds.

Recommendation: Budget amendments should be made prior to the expenditure of funds.

Response/Status: Management will review budgets monthly and make amendments as deemed necessary.

2007-2: Audit Adjustments

Statement of Condition/Criteria: Material audit adjustments were required to properly accrue revenues and expenditures.

Response/Status: County management will review procedures to properly accrue revenues and expenditures as required to ensure that the financial statements are materially correct.

2007-3: Ability to Produce GAAP Financial Statements

Statement of Condition/Criteria: Management is unable to produce financial statements in accordance with accounting principles generally accepted in the United States of America.

Response/Status: Based upon the limited finance staff of the County, the cost-benefit of hiring additional staff to perform this function is not deemed in the County's best interest and the County is willing to accept the risk of this finding.

COUNTY OF DELTA, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2007

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

None

COUNTY OF DELTA, MICHIGAN
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2007

**A. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

None

COUNTY OF DELTA, MICHIGAN

REPORT TO MANAGEMENT

Year Ended September 30, 2007



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
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Laura L. Schwalbach, CPA

REPORT TO MANAGEMENT

Members of the Board of Commissioners
County of Delta, Michigan

We have audited the financial statements of the County of Delta, Michigan for the year ended September 30, 2007, and have issued our reports thereon dated May 22, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated August 1, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

In planning and performing our audit, we considered County of Delta, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the County of Delta, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the County of Delta, Michigan's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the County of Delta, Michigan's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the County of Delta, Michigan's compliance with those requirements.

Members of the Board of Commissioners
County of Delta, Michigan

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the County of Delta, Michigan are described in Note A of the financial statements.

We noted no transactions entered into by the County of Delta, Michigan during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Management Judgments and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the estimates. The most sensitive estimates affecting the financial statements were the useful lives of property and equipment for the purpose of calculating depreciation.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Our audit adjustments, individually and in the aggregate, were material and were primarily made to properly accrue revenues and expenditures.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the financial statements of the County of Delta, Michigan or a determination of the type of auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to advise us as to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County of Delta's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in the performance of our audit.

In planning and performing our audit of the financial statements of the County of Delta, Michigan, for the year ended September 30, 2007, we considered the County of Delta, Michigan's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. This letter does not affect our report dated March 14, 2008, on the financial statements of the County of Delta, Michigan.

We have already discussed many of these comments and suggestions with various County personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This information is intended solely for the use of members of the County Board, management of Delta County and federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

May 22, 2008

COUNTY OF DELTA, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2007

REPEAT COMMENTS AND RECOMMENDATIONS

Sheriff Inmate Trust

Comment:

We noted that the inmate trust bank account could not be reconciled with the inmate payable accounts.

Recommendation:

Each month a reconciliation should be performed between the bank statement balance and the amount due to the inmates.

Management Response:

The County Treasurer has taken over reconciling the sheriff inmate trust bank account with the inmate payable accounts but has been unable to get the reconciliation to work out.

Year-End Accruals

Comment:

Accruals for revenues and expenditures are not being recorded at year-end.

Recommendation:

In order to accurately reflect the fiscal year activity, County personnel should make the appropriate accruals at the end of the fiscal year.

Management Response:

Year end accruals are handled annually in the past through the adjusting journal entries. This system has worked fine for years.

COUNTY OF DELTA, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2007

General Trust and Agency

Comment:

By definition, an agency fund is used to report resources held by the reporting government in a purely custodial capacity. In prior years, the appropriations that were unexpended in certain fund line items of the General Fund were transferred to the General Trust and Agency. Consequently, a portion of the General Trust and Agency's cash balance consists of money that is not due to other agencies.

We also noted that certain grant monies the County receives in its name and passes through to other government agencies is recorded in the General Trust and Agency.

Recommendation:

We recommend cash that belongs to the County, which is recorded in the General Trust and Agency be transferred to the appropriate fund of the County. Also, grant monies received in the County's name should be reported in the General Fund, in order to properly report the revenue and expenditure of funds received. We also recommend that the County reconcile all the account balances in the General Trust and Agency to ensure that all balances are properly accounted for.

Management Response:

General Trust and Agency is a fund within the general ledger and all activity in and out is recorded in it. We will attempt to set up Trust and Agency to report activity as recommended.

Recording of Delinquent Personal Property Tax

Comment:

We noted that delinquent personal property taxes are not recorded in the general ledger for the funds applicable to the General Fund, the Road Patrol Fund, or for the Senior Citizens Fund.

Recommendation:

The value of the County's portion of delinquent personal property taxes should be recorded in the County's general ledger in effort to track the balance of the personal property tax funds due to the County from local taxing units.

Management Response:

Administration will discuss this issue with the County Treasurer.

COUNTY OF DELTA, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2007

Outstanding Checks

Comment:

During our testing of cash, we noted several checks listed as reconciling items have been outstanding for over one year and some for several years.

Recommendation:

The County should consider escheating checks that have been outstanding for over a year to the State.

Management Response:

Administration will review this issue with the appropriate County personnel.

Separate Checkbooks Maintained by Treasurers Office

Comment:

It came to our attention the County Treasurer maintains separate checkbooks for the delinquent tax revolving funds which are not subject to any second party approval or review.

Recommendation:

In order to strengthen the internal controls over County funds, we recommend that these individual bank accounts be closed and that disbursements out of the delinquent tax revolving funds go through the same approval process as any other County payments.

Management Response:

All checks and expenses should follow the County Board approved internal controls of having Board approval.

COUNTY OF DELTA, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2007

Unlawful Expenditures

Comment:

It was noted that the County had applied and received 2% grant monies from tribal organizations and passed these funds to non-profit organizations. The Indian Tribes are required by the gaming compact to distribute 2% of the net win derived from all class III electronic games of chance to any local units of state government in the immediate vicinity of each tribal casino. Because the County is applying for these grants on-behalf of non-profit organizations, as some of these non-profits are not eligible as local units of state government, these funds are revenues and expenditures to the County. The Michigan Department of Treasury has specifically issued guidance stating that contributions to churches, veterans, non-profit organizations and community organizations are prohibited expenditures.

We also noted that these funds were recorded in the General Trust and Agency, which does not properly reflect the revenue and expenditure of these 2% grants received by the County.

Recommendation:

We recommend that all future 2% grant applications submitted to tribal organizations be made for activities which are lawful as defined by the Michigan Department of Treasury and that when 2% grant monies are received they should be recorded in the General Fund or a special revenue fund of the County to properly reflect the revenue and expenditure of the grant funds.

Management Response:

Administration will formulate a policy for County Board approval for 2% grant requests, to ensure they comply as lawful expenditures as defined by the Department of Treasury.

COUNTY OF DELTA, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2007

Dating of Purchase Orders

Comment:

During our testing we noted several instances where the purchase order was dated subsequent to the invoice date.

Recommendation:

In order to strengthen internal controls over purchasing, purchase orders should be initiated before the goods are ordered, invoiced and/or received.

Management Response:

Management is in the process of drafting a new purchasing policy for County Board consideration and approval.

COUNTY OF DELTA, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2007

CURRENT YEAR COMMENTS AND RECOMMENDATIONS

Budget and Fund Balance Noncompliance

Comment:

Public Act 621 of 1978, as amended, requires the adoption of a balanced budget for the General Fund and Special Revenue Funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

For the year ended September 30, 2007, there were seven funds where expenditures exceeded appropriations. It was also noted there were four funds that had a deficit unreserved fund balance.

Recommendation:

We recommend expenditure accounts be closely monitored in order to determine the need to amend the budget to prevent budget violations and that a deficit elimination plan be developed and submitted to the Michigan Department of Treasury for funds in a deficit fund balance position.

Management Response:

All funds will be closely monitored to insure expenditures do not exceed appropriations in the various funds and will make budget amendments as needed. A deficit elimination plan will be submitted to the Department of Treasury.

Approval of Timesheets

Comment:

During our payroll testing, we noted various individuals in District Court were approving timesheets.

Recommendation:

Approval of timesheets should be done by the department heads or an individual designated by the department head in order to strengthen internal controls over the payroll process.

Management Response:

Administration discussed this issue with District Court and it has been resolved.

COUNTY OF DELTA, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2007

Revenue Sharing Reserve Transfer

Comment:

We noted the County did not transfer the maximum amount from the Revenue Sharing Reserve Fund to the General Fund as allowed by the State of Michigan.

Recommendation:

The County should transfer the maximum allowed by the State of Michigan in order to liquidate the fund in accordance with the estimated time table.

Management Response:

In the future, the County will transfer the maximum amount as permitted by the State.

Timely Completion of Bank Reconciliations

Comment:

We noted bank reconciliations were not performed timely.

Recommendation:

In order to maintain adequate internal controls over cash, all bank reconciliations should be completed no later than 45 days after month end.

Management Response:

Administration will discuss this issue with the County Treasurer.

COUNTY OF DELTA, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2007

Cash Reconciliation Between the County Treasurer and Parks

Comment:

At September 30, 2007, cash between the County Treasurer and the Parks Commission did not reconcile.

Recommendation:

Cash with the County Treasurer should be reconciled by the Parks Commission on a monthly basis and any differences should be investigated and resolved.

Management Response:

Administration will review this procedure with the County Treasurer and the Parks Commission.

Follow-up on Grant Receivable

Comment:

At September 30, 2007, in the Renaissance Zone fund, there is still an amount of \$179,020 which is due from the EDA.

Recommendation:

This County should follow through with CUPPAD and the EDA to collect the balance due on the grant.

Management Response:

Administration has followed up on this issue with CUPPAD and has submitted the final paperwork for reimbursement.

COUNTY OF DELTA, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2007

Delta-Menominee District Health Department – Accrued Wages

Comment:

We noted during our testing that accrued wages as of September 30, 2007 were posted to the cash account in the general ledger rather than the accrued wage liability account.

Recommendation:

Accounting transactions should be recorded in the proper account in order to properly reflect the activity as required by generally accepted accounting principles.

Management Response:

We will go back to a manual accrual of wages using the liability accounts, as the new accounting software uses the cash account when it automatically accrued wages.

Delta-Menominee District Health Department – Improper Transfer of Funds Between Accounts

Comment:

We noted a transfer that should have went from the operating cash account to the GAP/HSA account was done in reverse and subsequently accounting staff reversed the original transfer which ended up in a net transfer of zero.

Recommendation:

All accounts and general ledger balances should be reconciled monthly in a timely manner which will minimize these types of errors.

Management Response:

Error occurred when the check was deposited on a transmittal, but should not have. These accounts are now reconciled monthly.

COUNTY OF DELTA, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2007

Delta-Menominee District Health Department – Timely Approval of the Budget

Comment:

Per review of the Health Board minutes, the operating budget for the 2007 fiscal which began on October 1, 2007 was not approved until November 2007.

Recommendation:

Prior to the Health Department beginning their fiscal year, an approved budget should be in place authorizing the expenditure of Health Department funds.

Management Response:

The Health Officer and the Board have been informed that the budget can no longer be presented in November, but will need to be approved by September 30th.

Delta-Menominee District Health Department – Bank Reconciliations

Comment:

We noted the payroll bank account did not reconcile to the general ledger as of September 30, 2007. We also noted that the bank reconciliations were not performed timely.

Recommendation:

All bank reconciliations should be completed timely and any variances should be investigated immediately in order to strengthen internal controls over cash.

Management Response:

Bank reconciliations were completed, but in a different format, resulting in an ineffective reconciliation. Reconciliations were redone, per the auditors recommendations and are now signed and reviewed by the supervisor.



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
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To the Delta County Board
of Commissioners

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Delta County as of and for the year ended September 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Delta County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the a governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

- Material audit adjustments were required to the trial balances to properly accrue revenues and expenditures.
- Management is unable to produce financial statements and the required disclosures in accordance with accounting principles generally accepted in the United States of America.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses:

- Both of the significant deficiencies noted above are considered material weaknesses.

This communication is intended solely for the information and use of management, the County Board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company P.C.

Anderson, Tackman & Company, PLC
Certified Public Accountants

May 22, 2008